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DEVELOPMENT BANKING:
Global Patterns

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1. INTRODUCTION*

Until recently, relatively little has been known of the global dimensions of development banking. The fact that substantial growth in the number of development finance institutions was underway has been widely recognized for many years, but the scope of that growth was not clear. The identification of 334 institutions qualifying as institutions "providing general medium and long-term financial assistance to a developing economy" in an OECD study in late 1967 represented the culmination of the first thorough attempt to estimate the approximate size of the world-wide development finance structure. The OECD Development Centre's Global Directory of Development Finance Institutions in Developing Countries[1] now provides a multitude of data for examination by those concerned with development finance. The dimensions of development banking - its size, form, age, location - can now be measured with some reliability. In addition, the resources in the system, the uses to which they have been put, and the performance record can all now be examined.

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[1] J. D. Nyhart and E. F. Jannsens, eds. A Global Directory of Development Finance Institutions in Developing Countries. Development Centre of the Organization for Economic Cooperation and Development. Paris, 1967.

This paper is the first in a series on these subjects. Here the development finance institutions appearing in the Directory are given a logical ordering by a classification scheme which facilitates an understanding of the way the large variety of development finance institutions have evolved in different countries.

The Directory identifies 334 development finance institutions by name and address. For 209 institutions of these, operating at the national or sub-national level in 92 countries, it provides the additional material described below. Similar material is also given for an additional eight regional institutions whose operations span more than one country or territory.

A listing in the Directory typically provides a 300 - 400 word sketch of the operations of the development finance institution to date, including its purposes, major areas of activity, commitments or disbursements to date (or both), a brief summary of the last year's operations along the same lines, a breakdown between debt and equity commitment (frequently with debt further broken down as to term) a record of other activities (such as underwriting or assistance to enterprises), and finally a comment on the future. In addition, the board of directors or comparable policy organ is named, along with those responsible for management and a brief description of the departmental structure. The juridical basis is also given. This information is in addition to vital statistics such as address, cable address, geographical scope of operations, ownership, and time of establishment.

A recent balance sheet, organized under standard headings to provide comparability, is presented for 202 of the Directory's 209 listings. Development finance institutions were asked to allocate their capital and

liabilities among the major sources: local government, local private funds, external aid funds, internally generated funds, and other funds (mostly including foreign private funds). In addition a slightly smaller number of institutions also provided elementary profit and loss statements for a recent year, again in standardized form to provide comparability.

The listing for the Banque Nationale pour le Développment Economique of Morocco is presented as an example in Appendix One.

This large number of comparable balance sheets and profit and loss statements, when combined with other facts available about development finance institutions, provides a basis for useful analysis of the structure and evolutionary pattern of the global network of development finance institutions.

For the most part the institutions with listings in the Directory, as well as those on an additional list, are either focused on industrial development finance or general development finance including a number of sectors.

However, 35 of the 92 countries represented have created institutions whose aim, as reflected solely by their title, is directed especially toward agriculture. The institutions range from three in Peru and Colombia to 29 other countries which have one agricultural development finance institutions. Thus, 43 of the 326 institutions appear to be specializing in agriculture. An additional seven are specialized in the mining sector. In addition, several institutions are in fact general credit institutions (most frequently government-owned) which, in addition to being sources of development finance are also short-term credit sources. Very frequently these are large government-owned state banks which have a multitude of

credit functions.[2]

The Directory, and hence this study, is limited geographically to countries which appear on the International Development Association's List of Member Countries of the Second Part, i.e. those eligible for IDA loans,[3] plus five overseas or dependent areas (Barbados, British West Indies, New Caledonia, Puerto Rico, Surinam). Two additional dependent areas, Fiji Islands and French Polynesia, are represented among the eight regional institutions mentioned earlier.

The second section summarizes the data concerning several basic characteristics of institutions listed in the Directory: their time and place of establishment, their geographic scope, their size, and their ownership. The following section suggests an ordering scheme based on these characteristics, while the final section uses the scheme to examine the way the structure of development finance evolves in countries.

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[2] For example, the objectives of Costa Rica's Banco Anglo Costarricense, as stated in the Directory, are to "cooperate with the Republic in implementing its policies with regard to monetary matters, foreign exchange, credit and banking policies; to assist in keeping the national banking system liquid, solvent and working smoothly; and to accept deposits."

[3] Annual Report of the International Development Association (IDA) 1965-1966, Annex E.

2. TWO HUNDRED AND NINE DEVELOPMENT FINANCE INSTITUTIONS: Time and Place, Geographical Scope, Size, and Ownership.

2.1 Introduction

Two hundred and nine development finance institutions provide the data for most of the analysis in this paper. This section describes their location and the national or sub-national character of their operations; the point in time they were created; their size; and their ownership, here categorized very broadly as government, mixed with government interest predominant, mixed with private interest predominant, and private. These characteristics form the basis of a classifying structure presented in Section 3.

The 209 national development finance institutions are those for which listings appear in the OECD Development Center's A Global Directory of Development Finance Institutions in Developing Countries.[1] One hundred and seventeen development finance institutions, most frequently identified only by name, address, and chief executive, are recorded in an additional list at the end of the Directory.[2] These 209 "basic study"

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[1]Hereafter referred to as the Directory. See Section 1.

[2]Included in the "additional list" of the Directory, but excluded in this study are six funds which serve primarily as accounting centers for resources passed on to development finance institutions, and only secondarily as direct sources for borrowers. They operate within central government institutions and are not separate entities, however, and so have been excluded in the study. They are in Brazil: the Fundo de Financiamento a Pequena e Média Empresa (FIPEME); Fundo de Financiamento de Estudos, Projetos e Programas para o Desenvolvimento Econômico (FINEP); Fundo de Financiamento para Aquisição de Máquinas e Equipamentos Industriais (FINAME); Fundo de Desenvolvimento Técnico-Científico (FUNTEC); and the Carteira de

institutions and the 117 "additional list" institutions are found by country and order of establishment in Appendix Two. The additional list institutions are incorporated in the present analysis of location and in Sections 3 and 4 as necessary.

2.2 The Growth of Development Banking in the Less Developed Countries[3]

Development banking in the developing countries is extremely young. As of 1968, fully 50 percent of the "basic study" institutions had been in existence for only ten years or less. Yet from an historical viewpoint roots go back to the post World War I era. Table 2.1 shows when the basic study institutions were established, over a period from 1856 to 1965.[4] The

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[2](Cont.) Crédito Agrícola e Industrial (CREAI); in Colombia: the Private Investment Fund of the Banco de la Republica.

With these exceptions, the "basic study" institutions correspond to those for which listings were given in the Directory and the "additional list" institutions correspond to those in the additional list, beginning on p. 445 of the English language edition of the Directory. (In the Spanish language edition, the names of the first three countries appearing in the additional list - Algeria, Saudi Arabia, and Argentina - were inadvertently omitted. With this correction, the additional list in Spanish contains the same institutions).

The Directory also contained entries on eight regional development finance institutions operating on a multi-national rather than a national basis. They are: Banco Centroaméricano de Integración Económica, Financiera Centroaméricana de Desarrollo S.A. (Central America); Fiji Development Company, Ltd. (Fiji); Crédit de l'Oceanie (French Polynesia); Kuwait Fund for Arab Economic Development (Arab Countries); Adela Investment Company, S.A. (Latin America); Southeast Asia Development Corporation, Ltd. (Southeast Asia), Industrial Promotion Corporation Central Africa, Ltd. (Central Africa).

The names and basic data (address, telephone, ownership, scope, and data of commencement of operations) were provided for eight bilateral and international finance and aid institutions co-operating in the study.

[3]For an account of development finance in the industrialized world, see Diamond, Development Banks, Johns Hopkins, 1957, pp 19-37.

[4]The 1965 figure is undoubtedly incomplete as the effort to identify insitutions and include them in the Directory closed that mid-year.

TIME OF ESTABLISHMENT OF BASIC STUDY INSTITUTIONS

TABLE 2.1

span may be divided into four periods.

Pre-Depression - 1929 and Before. Only 13 of the 209 basic study institutions were created prior to the beginning of the Great Depression of the 1930's. Although the oldest bank in the study, Banco Anglo-Costarricense in Costa Rica, began operations in 1863, the first institution organized specifically for development credit purposes probably was the National Development Company of the Philippines, formed in 1919.

One year earlier, in 1918, the Banco de Crédito Agrícola de Cartagó began operations in Cartago, Costa Rica, becoming the first of the basic study institutions that specialized in agricultural credit. Thus started a long string of agricultural credit institutions, the second of which was the Agricultural Bank of Greece, established in 1929. The first institution specially aimed at industrial credit appears to be Spain's Banco de Crédito Industrial, established in 1920 by the Spanish government to assist industry.

Only seven basic study institutions were created before World War I. They are all in Argentina, Costa Rica, and Nicaragua and can best be classified as general credit institutions begun primarily as commercial banks. The three in Costa Rica acquired medium-term credit functions along the way, most probably in 1948, when they were nationalized and given wider scope, or in 1963, when they were integrated into the banking system as a whole. The three Argentine banks created in the 19th century were also banks with wide general credit purposes, emphasizing short-term or commercial banking activities. The provision of medium or long-term industrial credit has until recently played an apparently minor role. Two of these Argentine institutions were provincial banks, thus inaugurating a distinct, major segment of development finance institutions, e.g., those operating

on a sub-national level (regional, provincial, or state), rather than on the national plane.

The Depression Period - 1930-1939. The depression year of 1931 was the first in which more than two basic study institutions were founded. The Land and Agricultural Bank of Kenya, the Banco de Fomento Agropecuário in Peru, and the Agricultural Bank in Egypt, all dealing in the rural sector, were founded in that year. 1934 also saw the creation of three banks and in 1936 five institutions made their appearances. Overall the depression years saw the establishment of 15 basic study institutions. During this period, a number of banks concentrating in specific sectors of the economy were created. The three agricultural banks mentioned above were joined by others in Colombia and Iran. The first two of five institutions among the basic study institutions with a special interest in the mining sector were established in this period, in Mexico and Bolivia.

In addition, two large, multi-functional development finance institutions began operations during the Depression. These were the Industrial Credit Corporation of Ireland and Mexico's Nacional Financiera. The establishment in Brazil of the first two bancos do estado or state banks, not dissimilar to those in Argentina begun earlier, continued the trend of sub-national general credit institutions in these two countries. Crédito Bursatil, S.A. and Compañia General Aceptaciones S.A., both established in Mexico in 1936, saw the beginning of the private corporaciones financieras in that country.

After the spurt of creative energy in 1936, the chronology of creation trails off toward the end of the decade. Only two development finance institutions were established in 1938 and one in 1939.

The War Years - 1940-1946. With one exception, all of the 18 basic study institutions recorded as starting during this seven-year period were located in Central and South America, and the Caribbean.

This period saw the extension of agricultural institutions to Bolivia, Ceylon, Venezuela, Dominican Republic, and the area that was later to become Trinidad and Tobago. Four additional corporaciones financieras in Mexico continued the development of the private institutions there. The appearance of the word "fomento" in the titles of new entities, found earlier in Peru's Banco de Fomento Agropecuário, continued during this period with the creation of Chile's Corporación de Fomento de la Producción (CORFO), Bolivia's CORFO and Venezuela's Corporación Venezolana de Fomento.

During the War years, development finance institutions were being created at a rate of three or four a year. With the exception of the three-year period 1946-1948, this pace was not only to be maintained, but to be accelerated dramatically. Up to the end of the War, the preponderant activity in development finance was in Central and South America, and the Caribbean. Thirty-six of the 45, or 80 percent, of the basic study institutions established so far were in this geographical area. Only Egypt, Greece, Kenya, Iran, Ireland, the Philippines, and Spain established basic study institutions outside Central and South America.

The Contemporary Period - 1947 Onward. The establishment in 1947 of the Rehabilitation Finance Corporation in the Philippines (now the Development Bank of the Philippines), with the objective of hastening that country's recovery from World War II, marks the beginning of the post-war or current period of development finance in the developing countries. This one entry

during 1947 is a low point in terms of numbers, and seems to start a new era. The Philippine activity, followed the next year by the establishment of the Industrial Finance Corporation of India and the Singapore Factory Development, Ltd. under the leadership of the Colonial Development Corporation (now Commonwealth Development Corporation), marks a break in the predominant role Central and Latin America played in the growth of the development finance network. The door was opened for the virtual world-wide explosion that has occurred since then. 78 percent of the basic study institutions have come into being since 1947.

The first national system of development finance institutions began formally in 1951 with the passage of India's State Finance Corporation Act. (Although the Madras Industrial Investment Corporation, the first of 14 similar state-level institutions in India, was created two years earlier.) At least one new Indian state financial corporation was begun in most of the years of the decade between 1951 and 1961.

In the Philippines, the Pasay City Development Bank, the first of the basic study institutions belonging to that country's system of local, private development finance institutions, was started in 1960. 1962 and 1963 saw banking reform legislation enacted in Spain, aimed at the separation of investment banking from commercial banking. As a result, in the following two years, there began to be created new industrial banks engaging in several types of operations, including medium and long-term loans, direct participation in share capital of enterprises, and underwriting. These systems, plus those in Argentina, Brazil, Colombia, and Mexico, will be discussed further in a later study, for they are one of the significant phenomena of the current period.

Approximately one-third of today's development banks are estimated to be associated with one of these national networks.

In 1950, the Industrial Development Bank of Turkey was established. It was the first of approximately two dozen institutions known as private development finance companies which have received financial and technical support from the World Bank Group. In the same year, the Banque Nationale Malgache de Développement (known then as the Crédit de Madagascar) was created in the Malagasy Republic. It appears to be the first of a large number since established in francophone Africa.

The establishment of Jamaica's Industrial Development Corporation and the Agricultural Development Corporation in 1952, the Uganda Development Corporation in the same year (included in the additional list), and the British Guiana Credit Corporation in 1954, which took over the assets of the Cooperative Credit Bank, all serve as examples of growth among British dependencies that continued through the decade of the 1950's. One Commonwealth member, Nigeria, has accounted for six basic study institutions, plus at least two others on the additional list. Another, Pakistan, also accounts for four basic study institutions.

The rapidity with which new development finance institutions were begun during the current period makes it difficult to identify global patterns. This brief historical account shows, however, that by 1965 a few fundamental trends had begun to form. They include: the early emphasis given agricultural credit; the parallel rise of both general development finance institutions and those specialized by sector; the establishment in a few countries of systems of development credit; the rise of privately or quasi-privately

owned institutions for development credit; and the entrance into development finance of older public finance institutions which traditionally served general credit needs.[5]

These patterns are too diffuse to provide a basis for global analysis of the evolution of development banking within countries. The next two sections suggest an analytic frame founded on certain basic characteristics shared b, all development finance institutions. The characteristics are: location, geographical scope of operations, age, and time of establishment and ownership. Before setting out the framework, the basic facts concerning these characteristics are summarized here.

2.3 Location

The 326 national development finance institutions included in both the basic study and the traditional list are located in 92 developing countries or dependent areas.[6]

The distribution by continent is as follows:

Africa	58
Asia	73
Central-South America and Caribbean	141
Europe	21
Middle East (Turkey to Iraq)	33
	326

The frequency of the institutions among the countries is shown in Tables

[5]Outside the sphere of national institutions, note should be made of the rise of several regional institutions, including first the Inter-American Development Bank and later the African and Asian Development Banks, plus those cited in footnote 2 above.

[6]See Section 1 for basis for including countries in the Directory.

2.2 and 2.3.

Table 2.2 Frequency Distribution of Institutions by Country

No. of institutions in country	1	2	3	4	5	6	7	8	9	10 or more	
No. of Countries	35	24	12	8	1	2	1	3	0	6	TOTAL 92

Table 2.3 Frequency Distribution Summarized in Major Groupings

Number/Country	No. of Countries	%	No. of Institutions	%
1	35	40.4	35	10.7
2-4	44	46.8	116	35.6
5-9	7	6.4	48	14.7
10 and over	6	6.4	127	39.0
	92	100.0	326	100.0

The most nearly typical country is one with between two and four development finance institutions. Such countries account for nearly 47 percent of the 92 and over 36 percent of the institutions. The 35 countries which have only one institution form a distinct second grouping. The largest group, accounting for 39 percent, are tightly clustered in six countries, each having ten or more institutions. These countries - Brazil, Colombia, India, Mexico, Philippines, and Spain - account for 127 of the institutions, a significant proportion in terms of number.

2.4 Geographical Scope of Operations

Forty-two of the 209 basic study institutions operating within national borders actually are sub-national in scope (e.g. regional, provincial, or state) rather than national. These institutions, comprising 20.9 percent of those in the basic study, are located in ten countries - Argentina, Brazil, Colombia, India, Malaysia, Nigeria, Pakistan, Philippines, Spain and Venezuela. A large number of institutions on the "additional list" are also

sub-national.

2.5 Age and Time of Establishment

The youthful character of the field is highlighted by the fact that 62 percent of the basic institutions had not been in operation more than ten years by the time they submitted data for the Directory. The age distribution that follows is given to two points in time: to 1968, and to the date for which data in each bank's listing were provided, usually 1965, but in some cases 1964 or 1966.[7]

Table 2.4 Age Distribution of 208 Development Finance Institutions

	To 1968		To Date of Data	
Years	Number	%	Number	%
0-4	21	10.2	77	37.2
5-9	83	39.8	52	25.1
10-19	56	26.9	37	17.8
20-29	21	10.2	21	10.3
30-49	19	9.1	12	6.3
50 and over	8	3.8	7	3.3
	208	100.0	208	100.0

Another indicator of youth is reflected in the evident recent shift of many institutions from the junior-most bracket, 0-4 years, to the next senior 5-9, in the period between the point of submission of data and the time of writing, 1968.

2.6 Size

Balance sheets were obtained for 202 basic study institutions. The assets in these institutions ranged from the local currency equivalent of U. S. $2.7 billion to U. S. $126,000 as follows:

[7] Date of establishment was unavailable for one basic study institution.

Table 2.5 Size of Assets

Assets US$.000	Number of Institutions	%	Total Amount Recorded in Category	%
Over 1 billion	2	1.0	$4,022,856	26.0
500 m. - 999 m.	4	2.0	2,308,873	14.9
100 m. - 499 m.	28	14.0	6,342,315	41.0
50 m. - 99 m.	13	6.5	883,345	5.7
10 m. - 49 m.	66	32.8	1,523,205	9.8
5 m. - 9 m.	39	19.4	288,475	1.9
1 m. - 4.9 m.	35	17.4	92,489	0.6
under 1 million	14	6.9	8,757	0.1
	201	100.0	$15,470,315	100.0

It is feasible to extrapolate from these figures to the 326 institutional total which includes the additional list banks. Considering that many of the additional list banks are sub-national and probably smaller than average, the total assets in the 326 institutions is conservatively estimated at somewhere between U. S. $16 and $19 billion.

The two institutions with assets over U. S. $1 billion are the Investment Bank of Yugoslavia and the Nacional Financiera in Mexico. The assets of these institutions, together with those of the next four - Corporación de Fomento de la Producción of Chile, Banco de la Nación Argentina, Agricultural Bank of Greece, and Corporación Venezolana de Guayana - comprise U. S. $6.3 billion, or 41 percent of the known assets in the basic study institutions.[8] The largest 34, or 17 percent of the basic study institutions, account for 82 percent of the known assets, an enormously top-heavy

[8]Only an unknown fraction of Banco de la Nación Argentina's assets are committed to medium and long-term development finance. It is estimated that the majority of its funds are devoted to short-term loans to agriculture, commerce, and industry. The same condition holds for the provincial banks in Argentina and a number of other general credit institutions.

picture. With 167 institutions sharing the remaining 18 percent, which amounts to U. S. $2.8 billion, the median size of all basic study institutions is U. S. $13 million equivalent. Thus, as in so many organizational groupings, development finance institutions on a global basis can be divided into the few big and the many small.

The largest institutions are predominantly public. Of the 34 institutions with assets greater than U. S. $100 million, only four are private institutions. Three of these are financieras in Mexico and the fourth is the Industrial Credit and Investment Corporation of India. Two sub-national institutions - one in Brazil and another in Argentina - fall also into the over U. S. $100 million category. By contrast, the smallest 34 include seven national private and eight sub-national institutions.

The institutions at the large end of the size spectrum geographically favor the Latin American and Caribbean area while those at the small end are heavily weighted toward the continent of Africa, with its many new states. Nineteen of the 34 institutions with assets of over $100 million are in Central or South America and the Caribbean, while eight of the 14 under U. S. $1 million (and 22 of the 49 under U. S. $5 million) are in Africa.

The Directory provided information regarding professional staff for 84 of the 209 basic study institutions. The size of the staffs in those institutions for which data were obtained is normally very small. Thirty-one percent or 26 banks, have ten professionals or less. Seventy-three have 30 or less. At the other end of the scale, only ten of the 84 have staffs of over 90 professionals.

Table 2.6

DFI Distribution According to Size of Professional Staff

Number of Professional Staff	Number of DFI's
10 or less	26
11 - 20	21
21 - 30	14
31 - 40	4
41 - 50	6
51 - 60	3
61 - 89	0
90 and over	10
TOTAL	84

2.7 Ownership

The ownership of 121, or 57.9 percent, of the 209 basic study institutions is wholly in public hands. Here, "public" includes the government of the country or state concerned, governmental organs, and international finance or bilateral aid agencies. Thirty-one, or 14.8 percent, are wholly privately-owned. The remainder, 57 institutions, accounting for 27.3 percent, are mixed. Of these 57 institutions, the capital of 32 is controlled or dominated by public interests, while 17 are privately dominated. The breakdown of eight of the mixed institutions is unknown. These figures are summarized in the following table:

Table 2.7 Ownership

	No.	%
Public	121	57.9
Private	31	14.8
Mixed	57	27.3
TOTAL	209	100.0
Of the Mixed:		
Public-dominated	32	56.1
Private-dominated	17	29.8
Unknown	8	14.1
TOTAL, Mixed	57	100.0

The public banks account for a proportionately larger share of the assets of the basic study institutions. U. S. $11.57 billion, or 74.8 percent, of the known assets are held in wholly public banks. By contrast, the wholly private banks account for only 6.79 percent of the known assets, barely one billion dollars. Mixed banks account for 18.5 percent, or U. S. $2.87 billion. The contrast between number and size among the three different types of banks is shown in Table 2.8.

Much controversy has existed over the relative role and merit of public versus private development finance institutions. Perhaps an outstanding example has been the policy until recently of the World Bank Group to support only private development finance companies.[9] In many countries, public and private institutions exist side-by-side. For example, in the Philippines, the Development Bank of the Philippines has branch offices scattered throughout the country, but also has played a most important role in the establishment of small local, private development banks. In Brazil, two groups of institutions are developing, one in the public sector operating at the state level, and the other a group of private investment banks.

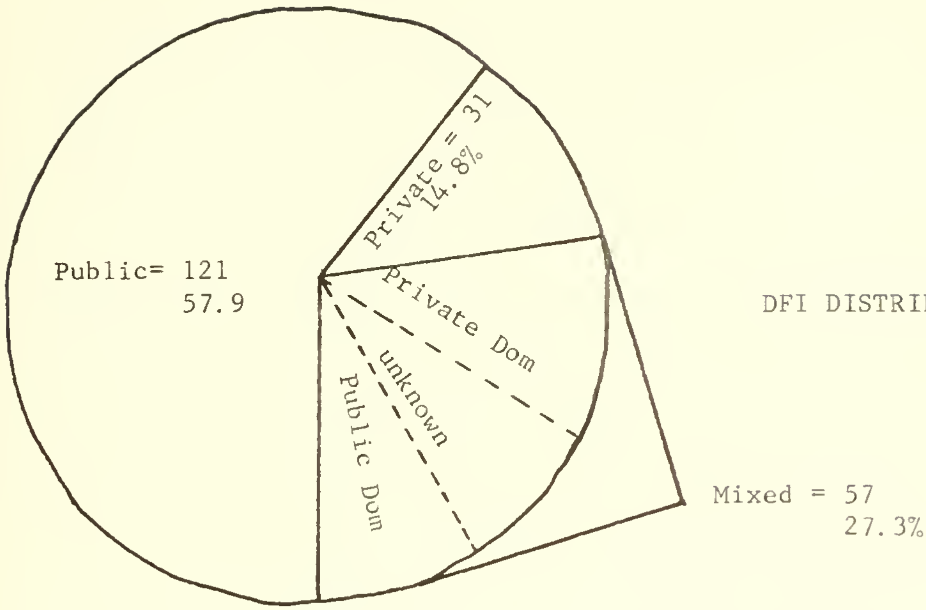
2.8 Summary

Every developing country except Burundi, Mali, and Rwanda has at least one development finance institution.[10] The largest group of countries have between two and four. More than one third are found in only six of the 92

[9] See Private Development Finance Companies, International Finance Corporations, Washington D. C., 1964. This policy reportedly was reversed, at least in principle, in July, 1968.

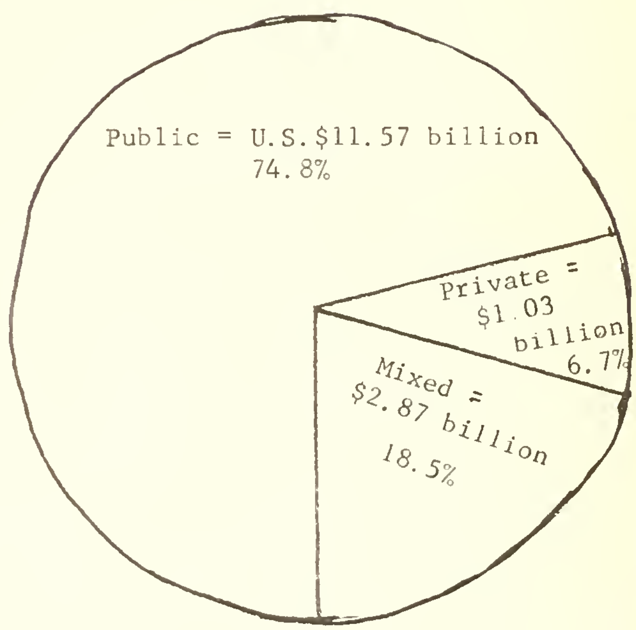
[10] Included as "developing" are all countries eligible for inclusion in the Directory. See Section 1 for basis of inclusion.

Table 2.8



DFI DISTRIBUTION BY NUMBER

DFI DISTRIBUTION BY ASSETS



countries and territories represented by institutions in the Directory. A polarization of activity exists, then, first in the countries with only one or two-to-four institutions, and second, in those fewer countries with a comparatively large number of institutions.

The global picture of development finance institutions in the developing countries is dominated by institutions that have been established, at a rapidly increasing rate, in the post-war period beginning in 1947. The large majority of these institutions are national in scope, with only a few being multi-national, i.e. regional, but with a significant number operating at sub-national levels.

Approximately one-third of the basic study institutions record assets of between \$10 and \$50 million, while roughly 45 percent are under \$10 million. The remainder, less than a quarter, have assets greater than \$50 million, but account for 88 percent of the known assets. The top six hold 41 percent.

Public ownership typifies the development finance institutional structure today, both in terms of numbers of institutions and in terms of the assets represented. An interestingly large segment of the basic study institutions are mixed in ownership.

This brief characterization of the basic study institutions as to time of establishment, size, ownership, and geographical scope suggests relational patterns identifying all development finance institutions. As will be seen in the succeeding section, these four basic characteristics can be used to categorize development finance institutions.

countries and territories represented by institutions to one [illegible]. A polarization of activity exists, [illegible] first in the countries with only one or two-to-four [illegible], and [illegible] a third group [illegible] with a comparatively large number of [illegible].

The global increase of the number of [illegible] in the developing countries is dominated by [illegible] rapidly increasing [illegible] in 1967. The large majority of [illegible] are national [illegible] multinational, [illegible] sub-national levels.

[illegible]

3. PRIMARY, NATIONAL PRIVATE, AND SUB-NATIONAL DEVELOPMENT FINANCE INSTITUTIONS

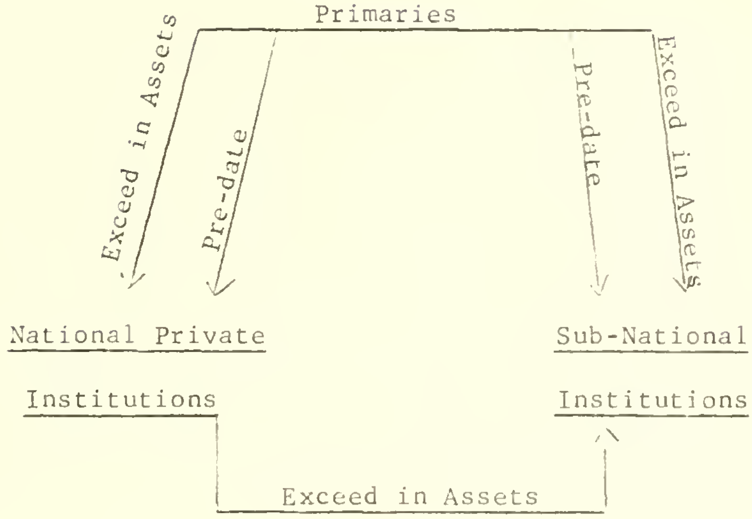
3.1 Introduction

Development finance institutions fall into three characteristic clusters, described by the following statements:

1. The first development finance institution or institutions established in a country are government-owned or government-dominated (if of mixed ownership), national in scope, and large in asset size when compared to those established subsequently. These are primary institutions.
2. Where privately owned or privately dominated development finance institutions are established at the national level, they are created after those described above and are smaller in asset size. These are national private institutions.
3. Institutions operating at a sub-national level within a country (e.g. regional, provincial or state) may be publicly or privately owned, or mixed. They are established after primary institutions, but frequently precede national private institutions; they are smaller in asset size than those operating on the national level, except for some general credit institutions operating at the sub-national level, which may be larger in total assets but not in development finance facility assets. These are sub-national institutions.

Ninety-three percent of the 209 basic study institutions are believed to be encompassed within one of these groupings. The relationships of the

three clusters as to the order of establishment and size are:



This section defines the rules comprising this classifying scheme, applies them, lists the clusters of institutions that result from their application and notes the exceptions. First, several reasons for trying to classify development finance institutions are discussed.

3.2 The Rationale of Classification

Ordering mechanisms such as the one suggested here are helpful in understanding, in comparing and evaluating, and in predicting. The field of modern development finance has grown extremely rapidly - witness the fact that half of the more than 200 basic study institutions are ten years or less of age. But the field has now passed through its institutional childhood. Development bankers, and those in the developed countries who backed the creation of these institutions, are increasingly asking some basic questions: what have the over 300 institutions really done; what might be expected of them; and what might be done to assist them in

achieving their goals?

Answers to such questions cannot be found unless the diversity that exists among these institutions is more fully understood - the diversity of background, of capability, and most importantly, of function. A means of comparison is an implicit requirement and requires two workable devices: an ordering mechanism and a measurement scheme. This section and the next suggest one scheme to meet the first requirement.

The fundamental extra-market, gap-filling nature of development finance institutions helps considerably to determine the criteria for an appropriate ordering mechanism. Gaps such as the absence of medium-term credit or equity financing for new businesses exist where normal market considerations have failed to lead traditional finance. When governments commit public funds to use through development finance institutions, they do so to reduce specific gaps in the institutional structure of finance. The inadequacies of the market-oriented traditional structure may be varied and extend beyond the mere need for different forms of credit. Certain sectors - among them agriculture, small business, or mining - may require extra-market attention. Or borrowers may require special assistance or supervision. Thus the diversity in development finance institutions'roles arises largely from the multiple nature of the gaps they are created to fill.

These inadequacies have given rise to six broad functions filled by the development finance field: 1) financing, 2) promotion, 3) education, 4) entrepreneurship (owning and managing), 5) capital mobilization, and 6) institution building. (A study of the way development finance institutions have fulfilled these roles is in preparation). Few development fi-

nance institutions are active in all these functions, and the extent to which they are varies with the surrounding institutional environment. That is, the roles played by existing market and extra-market financial and other institutions define the gaps in any particular case.

Further, these functions change over time. What is a gap in one decade may become a solid rock of institutionalism in the next, as traditional market-oriented financial institutions undertake the tasks earlier performed by the extra-market development institutions. Term-lending is a good example. New gaps and new priorities continue to be identified. In some cases, the corresponding functions will be added to existing institutions; in other cases, they will form the core purpose of a new institution.

Hence, an ordering mechanism should allow for diversity and for change of functions over time. Function should be a variable, not a constant. It should, therefore, not comprise a basis of categorization.

Finally, an ordering mechanism ought to be useful both for descriptive and normative purposes. It must be useful in describing what has already taken place, and for speculating about what ought to - or could - happen.

Past classification schemes have not met these criteria. One early division by the United Nations termed those institutions concentrating on lending as development banks and those concentrating on equity investment as development corporations.[1]

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[1]See Diamond, op.cit. Chapter 2, p.2, for reference.

This distinction was fairly quickly realized to be unworkable because many institutions performed both functions.[2] Hansen's distinction between general development agencies having the very broadest powers, industrial finance and development agencies, and agricultural agencies continues to hold considerable validity.[3] However, the distinction between finance and development agencies, similar to the U.N.'s distinction between development banks and development corporations, breaks down in practice.[4]

Other categorizations are oriented toward sectors served, such as that by Houk, which separates "industrial development banking, agricultural development banking, small industry development corporations, development banks for cooperatives and the like."[5] Similarly, the OECD's Development Assistance Committee distinguishes among industrial development banks, housing finance institutions and agricultural credit banks.[6]

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[2] The Uganda Development Corporation, Brazil's Banco Nacional do Desenvolvimento Econômico, and Chile's CORFO are good examples.

[3] "...in the present context 'development' means the promotion and operation of new enterprises, while 'finance' means the provision of capital and other forms of financial assistance to privately owned undertakings." Hansen, A.H. Public Enterprise and Economic Development. Routledge and Kegan Paul, Ltd., London, 1959. p.230. c.f. p.254.

[4] 108 of 209 basic study institutions reported they were engaged in some form of promotion. 84 basic study institutions indicated that they both provided finance and owned and managed enterprises.

[5] Houk, J. T. Dock. Financing and Problems of Development Banking. Praeger, New York, 1967. p.11.

[6] Development Assistance Committee of the Organization for Economic Cooperation and Development, "Intermediate Financial Institutions", paper 64/10, March 19, 1964, mimeo.

These diminish the fact that a great number of development finance institutions serve a variety of sectors.[7]

Diamond's distinction between finance institutions concerned with the private sector and those concerned with government investment is weakened by a number of institutions which straddle the public and private sectors.[8] Schatz's distinction between straight development banking and augmented development banking (when technical services are provided) emphasizes the importance of technical services but in the process tends to place less emphasis on other important functions.[9]

The ordering into three clusters suggested here is based on four components which are normally stable, at least relative to the other institutions within the same country: 1) the order in which institutions are established within the country; 2) the geographic scope of their operations, e.g. national or sub-national; 3) their ownership; and 4) their relative size. No functional character is ascribed. Rather, the functional tasks actually performed by different banks are treated as independent variables and are left for later analysis, as are other characteristics such as growth and performance. An examination of both the diversity of roles and their change over time is facilitated by this mechanism. In addition to functional diversity, there is also great disparity of size among the development finance institutions in the world; just as there is among nations. The categorization approach suggested here builds first

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[7] Forty-six basic study institutions indicated they served both industrial and agricultural sectors. 12 served both industry and mining, and 55 others indicated some type of multi-sectoral involvement.

[8] Diamond, op cit. note 1, p. 3.

[9] Sayre P. Schatz. Development Banking in Nigeria, Oxford University Press, Ibdabn, Nigeria, 1964, p. 107.

on internal relationships among the institutions within one country. It is thus a prerequisite to the consideration of the way the development finance institutional structure evolves in a country, which is discussed in Section 4.

The identification of a basic study institution as a member of one of the three clusters is made by applying the decision rules set out in the paragraphs that follow. Assumptions as to the relative size and order of establishment are made for additional list institutions where the facts were not available in the Directory. The results of applying the decision rules and the assumptions made are summarized for each country in Appendix 2.[10]

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[10] The presence of 117 institutions on the additional list confronts the analyst with the possibility that any one of them might have been created earlier or be larger than the basic study institutions in the same country for which data are available, thus throwing the relative positions askew for the institutions in that country.

Fortunately, the 117 do not pose as great a problem as they at first seemed to. Thirteen are located in 11 countries which are not represented among the basic study institutions, so that they present no threat to the classification effort aimed at the basic study institutions. But it is of interest to knowwhether or not they re-enforce the three basic cluster propositions. They appear to. Nine are the only institutions in the particular country in either the basic study institution list or the additional list. A survey of these nine countries - Algeria, Congo (Kinshasha), Guinea, Indonesia, Iraq, Malawi, Portugual, Saudi Arabia, Uruguay - suggests that the only development finance institutions in any of these is almost certainly going to follow the normal pattern of being government-owned, and as the only institution, national in scope. Two institutions in Burma and one in Kuwait might reasonably be judged public and national, fitting the Cluster One definition of primary institutions.

Sixty-eight of the 117 institutions on the additional list are located in four countries - Brazil, Mexico, Philippines, and Spain - where they appear to be parts of systems about which a good deal is known. In Brazil, the additional list institutions are known to be public, state-level, or regional institutions, and were assumed to be smaller than the one national

3.3 Cluster One - The Primary Institutions

The first development finance institution or institutions established in a country are government-owned or dominated (if of mixed ownership), national in scope, and large in asset size when compared to those established subsequently. An institution was assigned to Cluster One if it met one of the following decision rules:

> Rule 1-1: If national in scope, the only institution in the country, and publicly-owned or publicly dominated, if mixed in ownership.

These are the easiest cases of Cluster One institutions to identify. They include 33 of the 35 institutions in those countries which have only one development finance facility, the two exceptions being private institutions. They form 21.5 percent of all primary institutions.

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[10](cont.)

institution. Some predate Banco Nacional do Desenvolvimento Econômico (BNDE), but not in regard to their medium-term development finance facilities. In Mexico, the 19 institutions not on the basic study list are likely to be private, national-scope "financieras" and were so assumed to be. To the extent any pre-date the Nacional Financiera, the country's primary national institution, or exceed it in size, an exception exists. Since Nafin was established before any of the known national private institutions, and is larger, the likelihood is believed to be small. In the Philippines, the missing institutions are members of the private development banking system, and the assumptions that were made for them conform to what held true for the known members of the system. The same holds for Spain.

There remain 37 additional list institutions in 26 countries. In each of these, the most likely assumptions were made, based on available knowledge of the country. Each assumption in every case is stated in Appendix 2. In total, the impact of these "unknowns is, therefore, believed not to substantially alter the classification effort.

Rule 1-2: If national in scope, publicly-owned or publicly-dominated, if mixed in ownership, the first of a number of institutions to be established and the largest in asset size.

As seen in Section 2, 62 percent of the 92 countries in the study have more than one development finance institution. This rule covers the first institution to be established in such countries, if it meets the general proposition as to scope, ownership, and size.

Cluster One is not restricted to the first institution among many in a country. Different governments reacted in different ways to their initial perception of needs for specialized development finance institutions. Some, such as Uganda, Costa Rica, and Bolivia established multi-functional institutions in the expectation that they would serve both the financing and the entrepreneurial (owner-manager) functions. Typically, such institutions were expected to serve many client sectors: major industry, small industries, agriculture, mining, cooperative, and public enterprise.

Other countries split up the functions, creating both a finance institution intended to concentrate on lending and an owner-manager institution, frequently called a development corporation or fomento. For example, in each of Nigeria's three regions, there originally was a development corporation and a finance corporation. In some countries, finance institutions were sometimes sub-divided as to sectors, such as an industrial finance institution and an agricultural finance institution. Frequently, the agricultural institution preceded the industrial facility.[11]

[11] For example, in Ceylon, Egypt, Iran, and Sudan.

Infrequently, as in Peru and Bolivia, a three-way split emerged - industry, agriculture, and mining.

Generally, the institutions of such a set were established close together, or at least before the introduction of private institutions. Hence, all such articles are included in Cluster One as primary institutions.

In terms of falling within the general proposition for this group, then, institutions must be national in scope and publicly-owned or publicly-dominated, if mixed in ownership. But they do not have to be either the first established or largest in size (or either), provided that the institutions preceding them in order of establishment or size also fit the proposition. These conditions are met by the following decision rules:

Rule 1-3: If national in scope, publicly-owned or publicly-dominated, the first established, but not the largest, then if preceded in asset size only by institutions falling under a Cluster One rule.

Rule 1-4: If national in scope, publicly-owned or publicly-dominated, largest in asset size, second or subsequently established, but preceded in order of establishment only by institutions falling under a Cluster One rule.

Rule 1-5: If national in scope, publicly-owned or publicly-dominated, if mixed in ownership, second or subsequently established, or second, or smaller, in asset size, only by institutions falling under Cluster One rule.

In summary, these rules define a group of institutions begun and controlled by national governments, some with many functional roles, some with their assignments more narrowly defined, but all preceding the establishment in their countries of private institutions or state-level institutions

and outranking such institutions in asset size.

Two Acceptable Aberrations. Two types of aberrations of Cluster One situations must be noted.

AA 1-1: Mergers and second-generation institutions. The analysis of the basic study institutions has indicated 42 institutions which have either succeeded to earlier institutions, or have been formed as a result of the merger of two or more development finance institutions. When such institutions would qualify under one of the Cluster One decision rules, but for time of establishment, the predecessor's date of establishment, where known, has been used for analysis.

AA 1-2: 50-50 mixed institutions. The capital stock of one institution, the Industrial Finance Corporation of India (IFC/I), is evenly split between the Industrial Development Bank of India (IDBI), which is owned by the government, and private interests such as commercial banks, insurance companies, investment trusts and other financial institutions. For purposes of this analysis, IFC/I has been called an institution of mixed ownership with public dominance, on the basis that 1) the Government appointed Chairman apparently has the deciding vote on the Board, and 2) the nationalized insurance companies of India may legitimately be counted as public entities.

Exceptions to these cluster rules and the others are discussed together later in this section.

153 Primary Institutions. The 153 entities classified as primary institutions comprise the most important group of development finance institutions in terms of number, assets, length of service, and relative position in most countries concerned. Table 3.1 summarizes the position of the primary institutions as classified here. Seven exceptions are also included in the table for analysis purposes.

In the list that follows, additional list institutions are marked with an asterisk. The exceptions are listed at the end.

Table 3.1

Summary Data for Primary Institutions

1.	Number of basic study institutions classified as primary institutions	117
2.	Number of additional list institutions so classified	36
3.	Total number of primary institutions. (1 + 2)	153
4.	Number of national, publicly owned or dominated institutions classed as exceptions because of order of establishment or size	7
5.	Total number of national, publicly owned or dominated institutions (3 + 4)	160

6. Number of countries with primary institutions = 89 out of 92.

7. Primary institutions in these countries distributed as follows:

	Number in country			
	1	2	3	4 or more
Number of Countries	49	23	10	7

8. Balance sheets obtained for 115 primary institutions and six exceptions comprising 60% of all balance sheets obtained. The assets in those 121 amounted to 84% of assets recorded in all balance sheets. Median assets size of the 121 was $15.7 million.

9. Ownership:

Public	97
Mixed with public dominance	20
	117

The Primary Institutions are:

Country	Institution
AFGHANISTAN	Agriculture and Cottage Industries Bank
ALGERIA	*Caisse Algérienne de Développement
ARGENTINA	Banco de la Nación Argentina Banco Industrial de la República Argentina
BRITISH WEST INDIES	Barbados Development Board
BOLIVIA	Banco Minero de Bolivia Banco Agrícola de Bolivia Corporación Boliviana de Fomento Banco de Fomento
BRAZIL	Banco Nacional do Desenvolvimento Economico
BURMA	*Industrial Development Bank, Ltd. *Industrial Development Corporation
CAMBODIA	Caisse Nationale d'Equipement du Cambodge
CAMEROON	Banque Camerounaise de Développement West Cameroon Development Agency * Société Nationale d'Investissement
CENTRAL AFRICAN REPUBLIC	Banque Nationale de Développement de la République Centrafricaine
CEYLON	Agricultural and Industrial Credit Corporation of Ceylon
CHAD	Banque de Développement du Tchad
CHILE	Banco del Estado de Chile Corporación de Fomento de la Produción *Corporación de la Reforma Agraria
COLOMBIA	Caja de Crédito Agrario, Industrial y Minero
CONGO (Brazzaville)	*Banque Nationale de Développement du Congo
CONGO (Kinshasa)	Banque Congolaise de Développement
COSTA RICA	Banco Anglo-Costarricense Banco de Costa Rica Banco Nacional de Costa Rica Banco de Crédito Agricola de Cartago
CYPRUS	Cyprus Development Corporation Limited

DAHOMEY	Banque Dahomeenne de Développement
DOMINICAN REPUBLIC	Banco Agrícola de la República Dominicana Corporación de Fomento Industrial de la República Dominicana *Agricultural and Industrial Credit Bank *Instituto de Desarrollo y Crédito Cooperativo de la República Dominicana
ECUADOR	Corporación Financiera Nacional Banco Nacional de Fomento *Sistema de Crédito de Fomento
EL SALVADOR	Instituto Salvadoreno de Fomento Industrial
ETHIOPIA	Development Bank of Ethiopia Investment Bank of Ethiopia
GABON	Banque Gabonaise de Développement
GHANA	National Investment Bank *Agricultural and Cooperative Credit Bank
GREECE	Agriculture Bank of Greece Hellenic Industrial Development Bank
GUATEMALA	Instituto de Fomento de la Produción Banco Nacional Agrario *Financiera Industrial y Agropecuaria S.A.
GUINEA	*Banque Nationale de Développement Agricole
GUYANA	Guyana Credit Corporation *Industrial Development Corporation
HAITI	Institut de Développement Agricole et Industriel
HONDURAS	Banco Nacional de Fomento
ICELAND	Iceland Bank of Development
INDIA	Industrial Finance Corporation of India
INDONESIA	*Bank Pembaguan Indonesia
IRAN	Agricultural Credits and Rural Development Bank of Iran Industrial Credit Bank
IRAQ	*Industrial Bank of Iraq
IRELAND	Industrial Credit Company, Ltd.

ISRAEL	Industrial Development Bank of Israel, Ltd.
IVORY COAST	Credit de la Côte d'Ivoire
JAMAICA	Industrial Development Corporation Agricultural Development Corporation Small Business Loan Board Development Finance Corporation
JORDAN	Development Bank of Jordan, Ltd. Agricultural Credit Corporation *Industrial Development Board Fund of Jordan
KENYA	Land and Agricultural Bank of Kenya Industrial and Commercial Development Corporation Agricultural Finance Corporation Development Finance Company of Kenya, Ltd.
KOREA	The Korean Reconstruction Bank Medium Industry Bank
KUWAIT	*Kuwait Trade, Contracting and Investment Company
LAOS	Crédit National Lao
LEBANON	*Société de Crédit Agricole, Industriel du Liban
LIBERIA	Liberian Development Corporation Agricultural Credit Corporation
LIBYA	Libyan Industrial and Real Estate Bank *Libyan-American Reconstruction Commission *National Agriculture Bank
MALAGASY REPUBLIC	Banque Nationale Malgache de Développement
MALAWI	*Malawi Development Corporation
MALAYSIA	*Industrial Promotion Board
MAURITANIA	Banque Mauritienne de Développement
MAURITIUS	Development Bank of Mauritius
MEXICO	Nacional Financiera S. A.
MOROCCO	Caisse Nationale de Crédit Agricole
NEPAL	Nepal Industrial Development Corporation
NEW CALEDONIA	Société Immobilière et de Crédit de la Nouvelle-Calédonie *Agricultural Credit Board

NICARAGUA	Banco Nacional de Nicaragua Instituto de Fomento Nacional
NIGER	Crédit du Niger Banque de Developpement de la République du Niger Union Nigérienne de Crédit et de Cooperation
NIGERIA	*Federal Loans Board
PAKISTAN	Industrial Development Bank of Pakistan *National Small Industries Corporation
PANAMA	Instituto de Fomento Economico
PARAGUAY	Banco Nacional de Fomento
PERU	Banco de Fomento Agropecuario del Perú Banco Industrial del Perú Banco Minero del Perú *Agriculture Bank *Institute of Agrarian Reform and Colonization
PHILIPPINES	National Development Company Development Bank of the Philippines National Investment and Development Corporation *Small Industries Loan Fund
PORTUGAL	*Banco de Fomento Nacional
PUERTO RICO	Puerto Rico Industrial Development Company Government Development Bank for Puerto Rico
SAUDI ARABIA	*Agricultural Development Bank
SENEGAL	Banque Nationale de Développement de Senegal
SIERRA LEONE	Sierre Leone Investments, Ltd. Agricultural Loans Scheme
SINGAPORE	Singapore Factory Development, Ltd. Economic Development Board
SOMALI REPUBLIC	Crédito Somalo
SPAIN	Banco de Crédito Industrial
SUDAN	Agricultural Bank of Sudan Industrial Bank of Sudan
SURINAM	National Development Bank, Ltd.
SYRIAN ARAB REPUBLIC	Industrial Bank, Damascus

TANZANIA	Tanganyika Development Finance Company, Ltd. National Development Corporation
TOGO	Crédit du Togo
TRINIDAD AND TOBAGO	Trinidad and Tobago Industrial Development Corporation Agricultural Credit Bank
TUNISIA	Société National d'Investissement Banque Nationale Agricole Société Tunisienne de Banque
TURKEY	*Agricultural Bank of the Turkish Republic *Industrial Credit and Investment Bank
UGANDA	Development Finance Company of Uganda, Ltd. *Uganda Development Corporation, Ltd.
UNITED ARAB REPUBLIC	Agricultural Credit and Cooperative Bank Industrial Bank
UPPER VOLTA	Banque Nationale de Développement
URUGUAY	*Banco de la República Oriental del Uruguay
VENEZUELA	Banco Industrial de Venezuela Banco Agricola y Pecuario Corporación Venezolana de Fomento
VIETNAM	Industrial Development Center *Sociéte Financière pour le Développement de l'Industrie au Viet Nam
YUGOSLAVIA	Yugoslavian Investment Bank
ZAMBIA	Industrial Development Corporation of Zambia, Ltd. African Loan and Finance Company, Ltd. *Land and Agricultural Bank of Zambia

<u>Primary Institutions: Exceptions</u>

COLOMBIA	Instituto de Fomento Industrial Instituto Colombiano de Reforma Agraria
INDIA	National Small Industries Corporation Industrial Development Bank of India
IRAN	Industrial Guarantee Bank
IVORY COAST	Caisse Nationale de Crédit Agricole
TURKEY	State Investment Bank

3.4 Cluster Two - The National Private Institutions

Where privately owned or privately dominated development finance institutions are established at the national level, they are created after those described in Cluster One and are smaller in asset size.

The smallest cluster in both number and asset size, the private institutions operating at the national level by 1965 accounted for the largest number of "new starts" in development finance institutions. At that point in time they were to be found in 33 of the 92 countries in the study.

The Cluster Two proposition says that national private institutions are created after primary institutions, and are smaller in asset size. This relationship is summarized in the following decision rule, which identifies an entity as a national private institution:

> Rule 2-1: If privately owned, or privately dominated if mixed in ownership; national in scope; established after all the Cluster One institutions and smaller in asset size than such institutions.

One acceptable aberration exists:

> AA 2-1: Thailand's Industrial Finance Corporation is a national, privately dominated entity. As the country's only development finance institution, it would be an exception since it is not publicly owned. However, as it started its existence as a primary, later being converted to a national private institution, it is allowed as an acceptable aberration.

Seventy-two National Private Institutions. Seventy-two national-level, privately-owned or dominated institutions, including 41 basic study institutions, have been classified as belonging to the second cluster. Five other national, privately-owned or dominated institutions stand as exceptions to the decision rule, since they were either begun before any national primary institutions (or in lieu of any) or are larger than

any in their country. These exceptions are discussed below.

Many of the 72 national private institutions and of the 5 exceptions are members of another significant grouping, for they belong to the 17 private development finance companies in which the International Finance Corporation has invested equity. Also, national private institutions in three countries - Colombia, Spain and Mexico - are members of national development banking systems in those countries. This group of systems will be examined more fully in a later study.

The accompanying Table 3.2 sets out basic facts for Cluster Two. In the analysis the five exceptions are included to avoid distortion of the significance of this cluster. The additional list institutions are marked with an asterisk.

The National Private Institutions are:

Country	Institution
ARGENTINA	*Compãnia General de Inversiones Sociedad Anonima Financiera * Argentaria, S. A. de Finanzas
BOLIVIA	Banco Industrial, S. A. *Banco de Desarrollo Industrial de Bolivia
CEYLON	Development Finance Corporation of Ceylon
COLOMBIA	Corporación Financiera Nacional Corporación Financiera Colombiana Corporación Financiera del Norte *Inversiones Esso de Colombia
COSTA RICA	Corporación Costarricense de Financiamento Industrial S. A.
ECUADOR	*Compãnia Financiera Ecuatoriana de Desarrollo Industrial, S. A.

Country	Institution
EL SALVADOR	Financiera de Desarrollo e Inversiones y Financiera de la Pequeña Empresa
GREECE	Investment Bank S. A. National Investment Bank for Industrial Development, S. A.
HONDURAS	Financiera Hondurena, S. A.
INDIA	Industrial Credit & Investment Corporation of India, LTd.
IRAN	Industrial and Mining Development Bank of Iran
ISRAEL	Discount Bank Investment Corporation, Ltd.
IVORY COAST	Banque Ivoirienne de Développement Industriel, S. A.
KUWAIT	*Kuwait Investment Company
LEBANON	Banque de Crédit Agricole Industriel et Foncier S. A. L.
LIBERIA	*Liberian Bank for Industrial Development and Investment
MALAGASY REPUBLIC	Société Nationale d'Investment
MEXICO	Crédito Minero y Mercantil, S. A. Compañia General de Aceptaciones, S. A. Crédito Bursatil, S. A. Impulsora Comercial e Industrial, S. A. Financiera Cafetalera, S. A. Financiera México, S. A. Financiera Bancomer, S. A. Financiera Metropolitana, S. A. *Bolsa de Valores de México *Carlos Trouyet, S. A. *Casasus, Trigueros y Cia., S. A. *Corretajes e Inversiones Bursatiles, S. A. *Crédito Americano de México, S. A. *Crédito Mexicano, S. A. *Financiera Colon, S. A. *Financiera Comercial Mexicana, S. A. *Financiera y Fiduciaria Mexicana, S. A. *Gibbon Alonso y Cia., S. A.

Country	Institution
MEXICO cont'd	*Impulsora de Valores, S. A. *Interaméricana de Arrendamientos S. A. *Intercontinental, S. A. *Lopéz Velasco, Watson y Cia., S. A. *Pablo Scherer, S. A. *Padua y Cia., S. A. *Promociones y Corretajes, S. A. *Sociedad Financiera de Industria y Descuento, S. A. *Sociedad Mexicana de Crédito Industrial, S. A.
NICARAGUA	Corporación Nicaraguense de Inversiones
NIGERIA	Nigerian Industrial Development Bank, Ltd.
PAKISTAN	The Pakistan Industrial Credit and Investment Corporation, Ltd.
PANAMA	*Desarrollo Industrial, S. A.
PERU	Financiera Peruana, S. A. Inversiones Abancay, S. A. Peruinvest Compañia de Fomento e Inversiones, S. A.
PHILIPPINES	Private Development Corporation of the Philippines
SPAIN	Banco de Financiación Industrial Banco del Desarrollo Economico Español, S. A. Banco de Fomento Banco Europeo de Negocios *Banco Industrial de Bilbao *Banco Urquijo *Corporación Español de Financiación Internacional, S. A. Banco de Financiación Industrial
TANZANIA	Mwananchi Development Corporation, Ltd.
THAILAND	Industry Development Corporation of Thailand
TURKEY	Industrial Development Bank of Turkey
VENEZUELA	C. A. Venezolana de Desarrollo *Compañia de Inversiones Creole *Inversiones Shell de Venezuela

Table 3.2

Summary Data for National Private Institutions

1.	Number of basic study institutions classified as national private institutions.	39
2.	Number of additional list institutions so classified.	33
3.	Total number of national private institutions (1 + 2).	72
4.	Number of national, privately owned or dominated institutions classed as exceptions because of order of establishment or size.	5
5.	Total number of national, privately owned or dominated institutions (3 + 4)	77

6. Number of countries with national, privately owned or dominated institutions = 33 out of 92

7. These institutions are distributed as follows:

	Number in Country		
	1	2	3 or more
Number of countries	24	4	5

8. Balance sheets obtained for 44 national, privately owned or dominated institutions (exceptions, line 4 above, included to avoid distortion), comprising 22% of all balance sheets obtained. Assets in those 44 equaled 8.6% of assets recorded in all balance sheets. Median assets size of the 44 was $13.9 million.

9. Ownership:

Private	28
Mixed with private dominance	16
	44

3.5 Cluster Three - The Sub-National Institutions

Institutions operating at a sub-national level, e.g. regional, provincial, or state, are established after the primary institutions, but frequently precede the national private institutions; they are smaller in assets size than both primary and national private institutions.

Ten countries with federal political frameworks or other strong characteristics of political or geographic regionalism have established development finance institutions that serve a city, state or region rather than the whole country. The following rule covers sub-national institutions:

> Rule 3-1: If sub-national in scope, established after the primary institutions, and smaller in assets size than both primaries and the national private institutions.

Sub-national institutions may be public, private or mixed in ownership. Although only 10 percent of the countries in the study have sub-national institutions, they form 21 percent of the basic study institutions and 27 percent of all 326 institutions if the additional list is included. Thus, there is a fairly high concentration of sub-nationals in a few countries: Argentina, Brazil, Colombia, India, Malaysia, Nigeria, Pakistan, Philippines, Spain and Venezuela.

Two Acceptable Aberrations. The proposition for Cluster Three says that its members are created after, and are smaller than, the national level public institutions designated as primaries. There are two deviations from this pattern:

> AA 3-1: Prior existing general credit institutions. In Argentina and Brazil, provincial and state governments have established commercial or farmers' banks, which can broadly be described as General Credit Institutions (GCI's). These

have traditionally dealt in short term credit or agricultural crop financing. Some have been in existence many years, predating the creation of any specialized development finance institutions in the current sense of the word. They have only recently established, or are now establishing, development finance facilities or windows as one part of their overall services. (See Section 2). Although their early date would constitute them exceptions to the rule, they are included as acceptable aberrations in view of their recent entry into development finance.

AA 3-2: Subsequent federation. In Malaysia, development finance institutions established in Sarawak and Borneo prior to federation became sub-national institutions when these states joined the federation. They may predate the national level institutions but were not established in the present national context. Their early date has not created an exception.

Eighty-six Sub-National Institutions. Eighty-six institutions are counted as operating at a sub-national level. In addition, three exceptions belong to this group. Of the 43 basic study institutions included, 20 are public, four are private, 12 are mixed with public dominance, and three are mixed but privately controlled. There is a higher proportion of "additional list" or unknowns among this Cluster than exists in the others. Summary Cluster Three data are set forth in accompanying Table 3.3. The fact that in six of the ten nations exhibiting sub-national institutions, there exists some sort of a system of development finance to which these institutions belong, will be examined more fully in the future study referred to above. Additional list institutions are marked with an asterisk. The sub-national institutions are:

Country	Institution
ARGENTINA	Banco de la Província de Cordoba Banco Provincial de Santa Fé Banco de Entre Rios

Country	Institution
ARGENTINA cont'd	*Banco de la Provincia de Buenos Aires
BRAZIL	Banco Crédito Agrícola do Espírito Santo S. A.
	Banco de Desenvolvimento do Estado de Pernambuco
	Banco de Crédito da Amazonia S. A.
	Banco do Nordeste do Brazil S. A.
	Banco Regional de Desenvolvimento do Extremo Sul
	Companhia Progresso do Estado da Guanabara
	Banco de Desenvolvimento de Minas Gerais
	*Banco do Estado da Bahia
	*Banco de Desenvolvimento do Estado de Santa Catarina S. A.
	*Banco do Estado do Amazonas S. A.
	*Banco do Estado do Ceará S. A.
	*Banco do Estado do Goiás S. A.
	*Banco do Estado da Guanabara S. A.
	*Banco do Estado do Maranhão
	*Banco do Estado do Mato Grosso S. A.
	*Banco do Estado do Pará S. A.
	*Banco do Estado da Paraíba S. A.
	*Banco do Estado do Paraña
	*Banco do Estado do Piauí S. A.
	*Banco do Estado do Rio de Janeiro S. A.
	*Banco do Estado de Rio Grande do Sul
	*Banco do Estado de São Paulo S. A.
	*Banco de Fomento Econômico de Sergipe S. A.
	*Banco da Produção do Estado de Alagoas S. A.
	*Banco do Rio Grande do Norte S. A.
	*Companhia de Desenvolvimento de Alagoas
	*Companhia de Desenvolvimento Econômico do Ceará
	*Companhia de Desenvolvimento Econômico do Estado do Rio de Janeiro
	*Companhia de Desenvolvimento de Pernambuco
COLOMBIA	Corporación Financiera del Valle
	Corporación Financiera de Caldas
	Fondo de Desarrollo y Diversificación de Zonas Cafeteras
INDIA	Madras Industrial Investment Corporation, Ltd.
	Maharashtra State Financial Corporation
	Punjab State Financial Corporation
	Bihar State Financial Corporation
	West Bengal Financial Corporation
	Madlhya Pradesh Financial Corporation

Country	Institution
INDIA cont'd	Rajasthan Financial Corporation Andhra Pradesh State Financial Corporation Jammu and Kashmir State Financial Corporation Mysore State Financial Corporation Gujarat State Financial Corporation Kerala State Industrial Development Corporation, Ltd
MALAYSIA	Borneo Development Corporation, Ltd. Sarawak Development Finance Corporation
NIGERIA	*Northern Nigeria Development Corporation Development Finance Company (Eastern Nigeria), Ltd. Northern Nigeria Investments, Ltd. Fund for Agricultural and Industrial Development
PAKISTAN	The East Pakistan Small Industries Corporation East Pakistan Industrial Development Corporation *West Pakistan Industrial Development Corporation
PHILIPPINES	Pasay City Development Bank Quezon Development Bank Second Rizal Development Bank Second Cebu City Development Bank *Agro-Industrial Development Bank (Pampanga) *Bacolod City Development Bank *Bulacan Development Bank *Cabanatuan City Development Bank *Cavite City Development Bank *Cebu City Development Bank *Davao City Development Bank *Iliolo City Development Bank *Laguna Development Bank *La Union Development Bank *Lipa City Development Bank *Quezon City Development Bank *Rizal Development Bank *San Pablo City Development Bank *Second Bulacan Development Bank *Second Quezon City Development Bank *Second Laguna Development Bank *Second Pampanga Development Bank *Surigao Development Bank *Tarlac Development Bank *Third Rizal Development Bank and Tropical Homes, Inc.
SPAIN	Banco de Granada

Country	Institution
SPAIN cont'd	Banco Industrial de Leon Banco del Noroeste S. A.

Sub-National Institutions: Exceptions

VENEZUELA	Corporación Venezolana de Guayana
NIGERIA	Western Nigeria Finance Corporation Western Nigeria Development Corporation

Table 3.3

Summary Data for Sub-National Institutions

1.	Number of basic study institutions classified as sub-national institutions.	40
2.	Number of additional list institutions so classified.	46
3.	Total number of sub-national institutions (1 + 2).	86
4.	Number of institutions operating at a sub-national level classed as exceptions because of order of establishment or size.	3
5.	Total number of institutions operating at a sub-national level (3 + 4).	89

6. Number of countries with institutions operating at sub-national level = 10 out of 92.

7. These institutions are distributed as follows:

	Number in Country				
	1	2	3	4	5 or more
Number countries	1	1	3	1	4

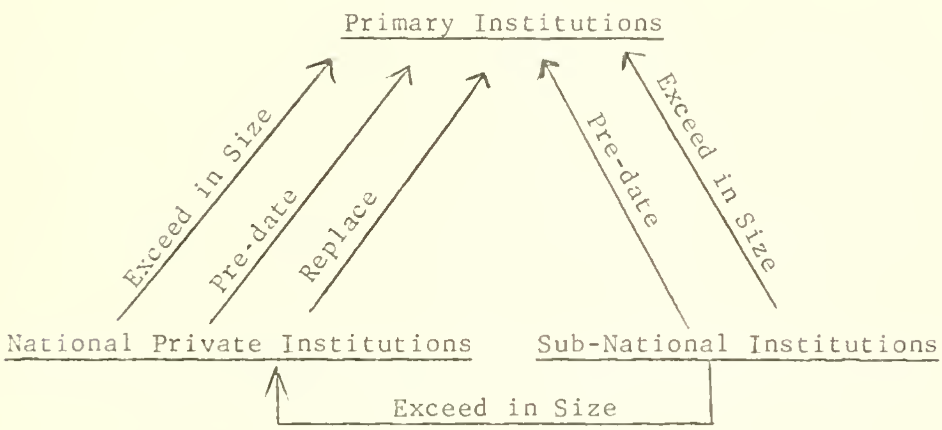
8. Balance sheets obtained for 36 sub-national institutions (exceptions, line 4 above, included to avoid distortion), comprising 18% of all balance sheets obtained. Assets in those 36 equaled 7.7% of assets recorded in all balance sheets. Median asset size of the 36 was $9.4 million.

9. Ownership:

Public	20
Private	4
Mixed	
public dominance	12
private "	3
Unknowns	4
	43

3.6 Exceptions

Ninety-three percent of the basic study institutions follow the patterns set out above or understandable deviations from them. Fifteen institutions do not, since they vary in regard to when they were formed or how large they are. They were listed at the end of the cluster to which they most closely conform. In a diagram similar to that found at the opening of this section, the exceptions are seen to take the following forms.



The 15 exceptions fall into five identifiable groups:

1. Two national public institutions following the normal pattern of early time of creation but being surpassed in size by at least one Cluster Two and/or Cluster Three institution. (These are designated E 1-1).

2. Five national public institutions established after Cluster Two or Cluster Three institutions. (These are designated E 1-2).

3. Three national private institutions in two countries with no national or sub-national public institutions. (These are designated E 2-1).

4. Two national private institutions which started according to the pattern, after the primaries, but which are now larger than any of the national public institutions. (These are designated E 2-2).

5. Three sub-national institutions which are larger in size than the national private institution(s) in the country. (These are designated E 3-1).

Two groups of these exceptions are significant to the hypothesis that the national public institutions precede private institutions. First, in Taiwan and Rhodesia, privately owned or dominated, rather than publicly owned or dominated, institutions have been established. Rhodesia's two, the Anglo-American Rhodesian Development Corporation, Ltd. and the African Loan and Development Company, appear to be the only basic study institutions among 202 for which balance sheets were obtained, which do not have public financial backing - local or international, debt or equity. Taiwan's China Development Corporation also stands alone. It, however, has backing from the World Bank Group and other sources as well as local government financing.

In four countries with a regular grouping of initial primary institutions, other national level, publicly-owned or dominated institutions have been created later in time, after intervening national private and sub-national institutions. In India, the National Small Industries Corporation was formed in 1955 after five State Financial Corporations and in the same year as the ICICI. In 1964, that country created the Industrial Development Bank (IDB/I), a subsidiary of the Reserve Bank of India, to finance other development institutions, as well as to provide direct credit to especially large industrial projects. Both cases were a response to a need for continuing evolution of the development finance structure.

A similar instance occurred in Colombia, where the Instituto Colombiano de Reforma Agraria was established to combine credit with a wide program of agrarian reform. In Iran, the Industrial Guarantee Fund was

established as a new approach to industrial credit. Finally, in Turkey, the State Investment Bank was established as an entity to finance state owned projects, many years after the creation of the private Industrial Development Bank.

In each of these cases, with the exception of IDB/I, foreign public finance comprises a significant amount of the resources of the institutions. It may be that, at least in part, these institutions were created later than the initial group to facilitate the acquisition and use of external public funds.

The remaining three types of exceptions turn on relationships of size. In Colombia, at least one otherwise primary institution, Colombia's Instituto de Fomento Industrial, has been passed in size-order by two national private and two sub-national institutions. The Ivory Coast's Caisse Nationale de Crédit Agricole - similarly otherwise a primary institution - has been passed in size by a national private institution. Closely related are the cases of Malaysia and Morocco where the national private institutions - the Malaysian Industrial Development Finance, Ltd. and the Banque Nationale pour le Développement Economique - have surpassed all the primary institutions in size. It is worth noting that in all four countries the "surpassing" national private or the sub-national institutions have had financial support from the World Bank Group and have enjoyed considerable access to other external public bilateral or private sources, illustrating the role these sources can play in adding to an institution's resources.

Finally, sub-nationals have surpassed all the national level

institutions in the cases of Venezuela's Corporación Venezolana de Guayana, aimed at the development of the Guayana River area and the Development Corporation and Finance Corporation in Western Nigeria.

For purposes of the analysis that follows, the exceptions join the cluster to which they most closely conform. The national, publicly-owned or dominated institutions are included as primary institutions for statistical purposes, and so on.

3.7 Change of Cluster Characteristics and Membership

An examination of the four characteristics which define membership in the clusters - time of establishment, scope, ownership, and size - show them to be relatively stable.

In three cases, an institution's ownership has changed so as to change it from a primary to a national private institution. The Malaysia Industrial Development Finance, Ltd., Morocco's Banque Nationale pour le Développement Economique and Thailand's Industrial Finance Corporation all started their existence as publicly-owned or dominated entities. During 1963, a capital reconstruction took place in each, which reduced the public holding to a minority share and converted the institution to a national private one. By these reorganizations, these institutions were able to fit within the World Bank Group's policy favoring private and local ownership of development finance companies and each institution has since received substantial financial support from that international source. Generally, such transformations of ownership have been infrequent exceptions.

As to scope, it is possible for sub-national institutions to become

operative on a truly national scale, as in the case of Colombia's corporaciones financieras. Most of these were originally conceived of as sub-national institutions, but some have shown a tendency to expand to a national scale as their resources permit. Again, sub-nationals in general have not appeared to become national institutions.

It is possible that the size of a national private or sub-national institution may, in the future, surpass that of the primary institutions in the country (or in the case of sub-nationals, surpass the national privates), thus widening the exceptions and corroding the patterns described here. An examination of the seven exceptions turning on size sheds some light on this question. Because the Directory information provides only recent balance sheet figures and only occasional indications of original capitalization or size, it is difficult to ascertain whether the exceptions resulted from large scale size at time of creation or from subsequent growth relative to other institutions in the country. In Colombia, the capitalization of three of the four "surpassing" institutions - two national private and two sub-national - is larger than the "surpassed" primary, suggesting they may have been originally created larger. But the real leverage for each has come from access to central government credit, external public credit and foreign private credit as supplements to the institutions' own funds. This situation suggests a government policy to turn to those institutions rather than the existing governmental institutions, combined with complementary support by external aid resources. In the Ivory Coast, Malaysia and Morocco, the "surpassing" institution has grown dramatically through the influx of World Bank Group

and bilateral aid agency funds.

Venezuela's large regional development corporation, centering on the Guayana River area, was evidently intended from the outset as a massive entity. Nigeria's strong regionalism probably explains the predominance of sub-national entities over national ones in that country.

Dominance in size by national private or sub-national institutions, thus, appears so far to be largely a product of heavy foreign financial support and/or of government policy. The instances have been limited. Although the national private and sub-national clusters are relatively young in relation to primary institutions, there is no evidence yet to suggest that as a group their relational size to primary institutions, or to each other, will change in the foreseeable future.

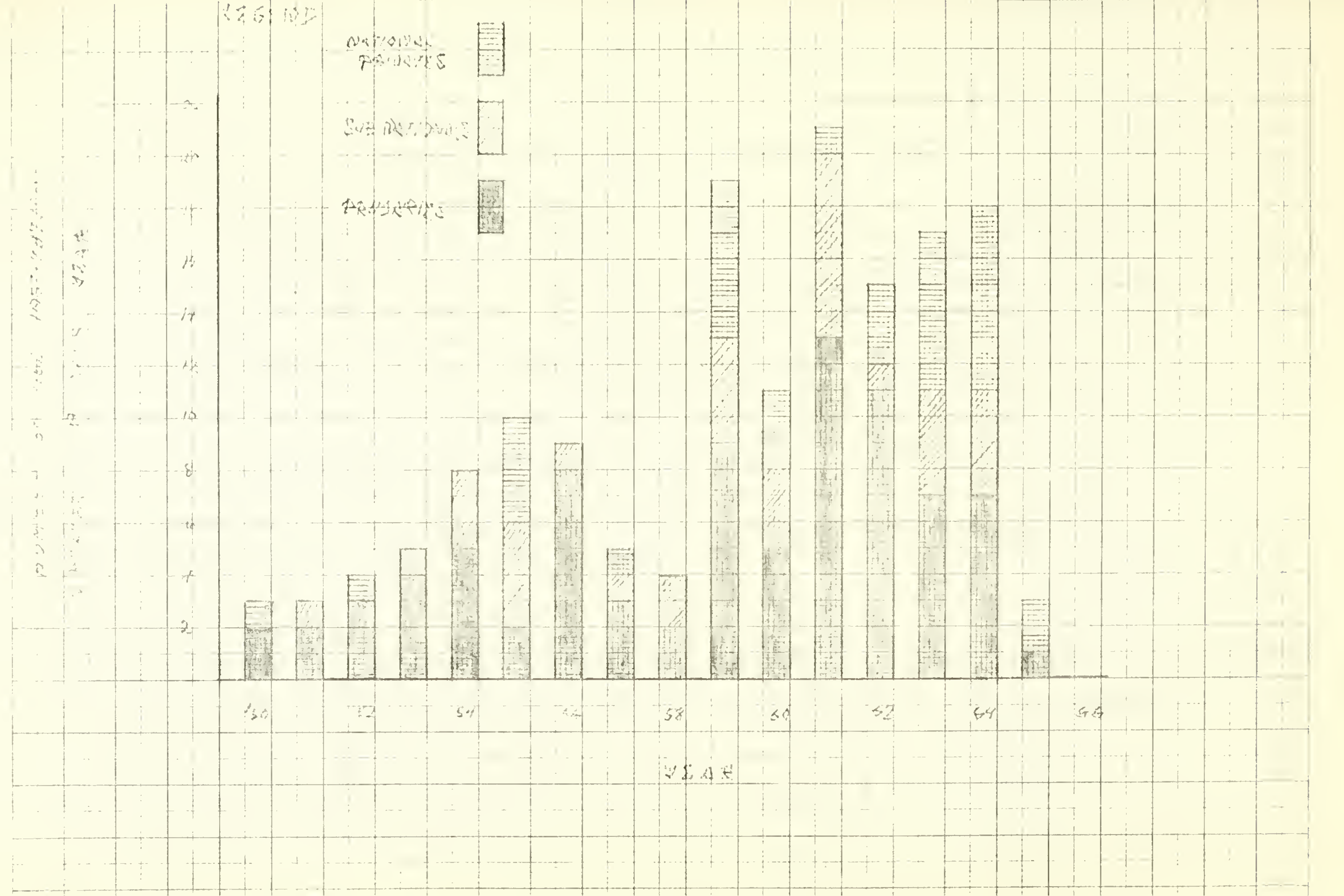
Order of establishment is set, of course, for the existing institutions and the exceptions have already been noted. Whether new institutions will upset the patterns described is open to question. The maintenance of the patterns would imply a period of continued establishment of primaries followed by proportionally more national private and/or sub-national institutions. The meaning of this question for individual countries forms the subject matter of the next section. It is appropriate now to note the gradual move toward a proportional increase in non-primaries over recent years, as illustrated in Table 3.4.

3.8 Summary

In summary, the overwhelming number of development finance institutions in developing countries can be grouped in a system that relates not only to their ownership and their geographical scope of operations, but also

Cluster Breakdown

Table 3.4



to their relative order of establishment and relative size. Classification along these lines can be helpful in understanding the present structure of development finance and hopefully inforecasting the future.

This section has identified three basic groupings. The largest of these are the 153 primary institutions, characterized as being government owned or dominated, among the first and largest institutions, and national in scope. The second cluster is the 72 national private institutions. These are also national in scope, but are privately-owned or dominated. They are established in a country after that country's primaries and are smaller in asset size. Finally, there are the 86 sub-national institutions, so called because they operate at a sub-national level - being regional, provincial, or state-based within a country. These institutions are found in countries with a federal framework or with strong political or geographic regionalism. They may be publicly or privately owned, or mixed. They amy pre-date national institutions, although they are smaller (unless they are general credit institutions with a development finance facility or window). They usually belong to a system, receiving financial assistance from a central government source.

A small proportion - 15 organizations, or 7 percent of the basic study institutions, stand as exceptions to the picture portrayed above, either because they were established at a time other than described for their basic type of institution or vary from the pattern in terms of size. Where exceptions do occur, it generally has been because a private institution has, frequently with the aid of external aid resources, become the dominant institution in the field, or because a government has created a new institution comparatively late in its country's evo-

to their relative order of magnitude and qualitative size. Classifica- tion along these lines is useful in understanding the present struc- ture of development finance and [illegible] in [illegible] the [illegible].

This section [illegible] identifies [illegible] The largest of these are [illegible] by [illegible] government owned [illegible] national and regional in scope [illegible] The [illegible]

[illegible]

lution of development finance institutions, presumably in response to continually evolving needs.

The characteristics defining the groupings suggested in this section appear relatively stable, adding to their usefulness as a framework. The relative size of the clusters, however, may well be changing. This topic is the concern of the following section.

lution of development finance institutions, presumably in response to continually evolving needs.

The characteristics or definitions of the groupings suggested in this section appear relatively stable, adding to their usefulness as a framework. The relative size of the clusters, however, may well be changing. This topic is the concern of the following section.

4. THE EVOLUTION OF DEVELOPMENT FINANCE STRUCTURES WITHIN COUNTRIES

4.1 Introduction

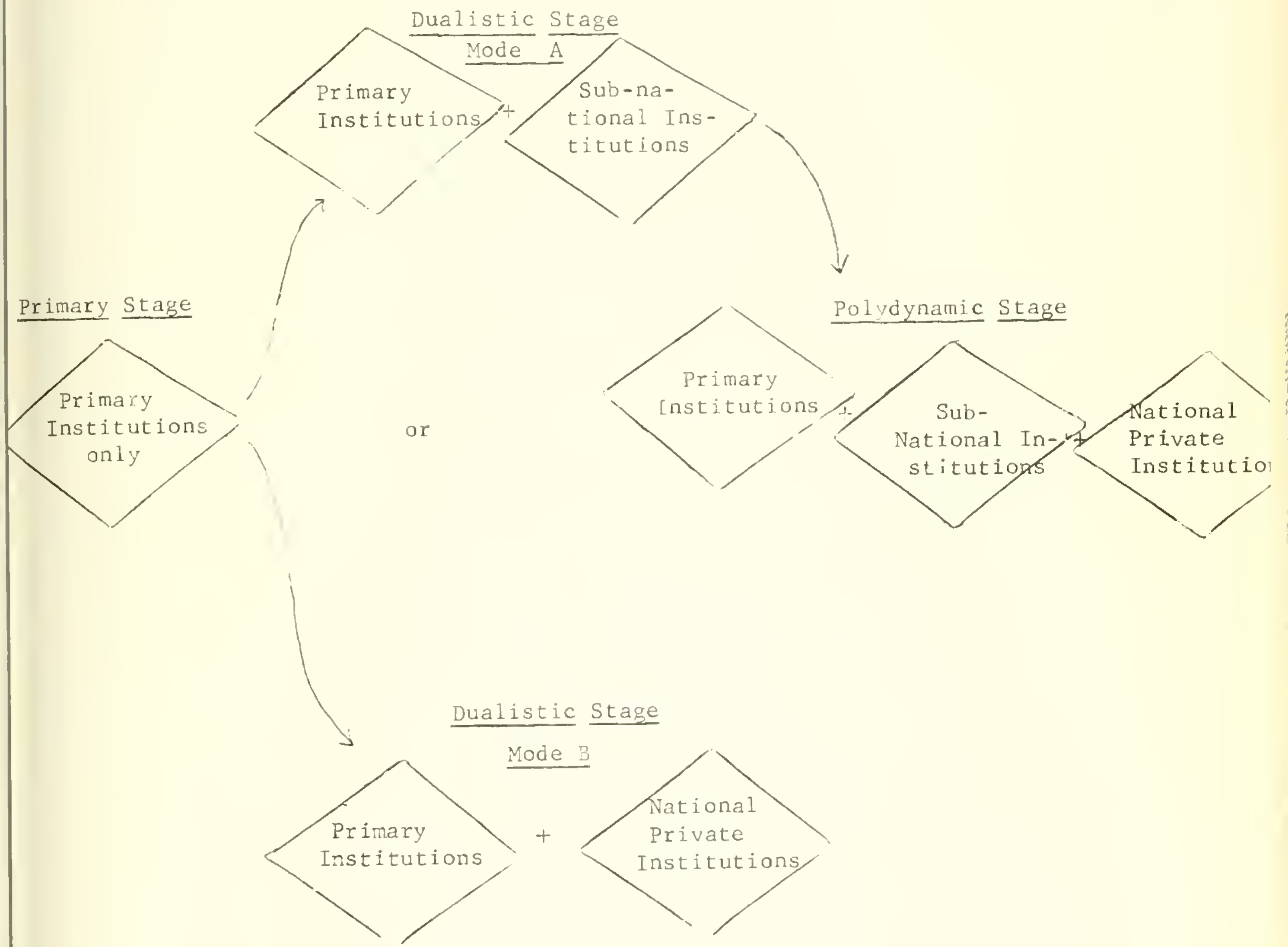
Four stages of evolution characterize the present development finance structures in developing countries. The first stage is marked by the creation of one or more primary institutions, as defined in the prior section. Following this primary stage, three patterns can emerge. A country may remain in the primary stage. A country may establish one or more national private institutions and thereby enter into a dualistic stage. Alternatively, some countries have established sub-national institutions, and thereby entered another form of dualistic stage. So far, all the countries which have entered this form of structural dualism have gone on to establish national private institutions, thus coming into a polydynamic stage. A diagrammatic representation of these stages is found in Table 4.1.

4.2 The Primary Stage

For most developing countries, their development banking structure remains today a simple one. Nearly two-thirds, or 58, of the 92 countries represented in the study have only primary institutions in the sense set forth in the preceding section. These 58 countries are, therefore, in the primary stage. Their development finance institutions account for 36.4 percent of the known assets held by all basic study institutions, a considerably smaller proportion of resources when compared to the number of countries involved. The median GNP of those primary stage countries where data was available was U. S. $0.8 billion.

Thirty-three of these countries, nearly half of which are in Africa,

Table 4.1 - Four Stages of Evolution of National Development Finance Structures.



have only one development finance institution identified in the Directory.[1] Fifteen others recorded two institutions, while 11 had three or four. No primary stage country had more than four primary institutions. Thus primary stage countries are nearly evenly split between those having only one development finance institution, and those having from two to four.

It was noted in the prior section that in China (Taiwan), Rhodesia, and Thailand, national, privately-owned institutions exist in the absence of primary institutions. China and Rhodesia evidently began development finance with private national institutions (if China's Small Industry Fund, which apparently operated through regular commercial banks, is discounted). Thailand's sole entity began as a primary, but was later converted to a national private institution. These countries are anomalies in the system suggested here, fitting none of the patterns. In the analysis throughout this study, they are grouped with the primary countries, whom they most closely resemble in terms of their centralization of development finance decision-making power, and the dominant character of one large institution.

Fifty-eight Primary Countries. The countries in the primary stage are:

AFGHANISTAN	GUYANA	PUERTO RICO
ALGERIA	HAITI	SAUDI ARABIA
BARBADOS	ICELAND	SENEGAL
BURMA	INDONESIA	SIERRA LEONE
CAMBODIA	IRAQ	SINGAPORE
CAMEROON	IRELAND	SOMALIA
CENTRAL AFRICA REPUBLIC	JAMAICA	SUDAN
CHAD	JORDAN	SURINAM
CHILE	KENYA	SYRIA
CONGO (BRAZZAVILLE)	KOREA	TOGO
CONGO (KINSHASA)	LAOS	TRINIDAD & TOBAGO

[1] See Appendix 2 for a country-by-country list of all institutions in the study.

CYPRUS	LIBYA	TUNISIA
DAHOMEY	MALAWI	UGANDA
DOMINICAN REPUBLIC	MAURITANIA	UNITED ARAB REPUBLIC
ETHIOPIA	MAURITIUS	UPPER VOLTA
GABON	NEPAL	URUGUAY
GHANA	NEW CALEDONIA	VIETNAM
GUATEMALA	NIGER	YUGOSLAVIA
GUINEA	PARAGUAY	ZAMBIA
	PORTUGAL	

Anomalies grouped with primary countries:

CHINA (TAIWAN)
RHODESIA
THAILAND

Rationale of the Primary Stage. While the 33 countries with one primary institution form a distinct component, it is likely that a number will add other institutions in the future. A higher than normal proportion of institutions in these countries are young. Eighty-one percent of the basic study institutions among them are under ten years of age, as compared to 62 percent of all basic study institutions. An examination of the other primary stage countries, e.g., those having more than one primary institution, discloses that in half the cases the second institution was added ten or more years after the first. Thus, these countries still have considerable time in which to add institutions.

Occasionally, governments have started two primary institutions simultaneously. In doing so, they have rejected the concept of the multi-functional institution expected to fulfill both financial and entrepreneurial roles as well as to be active at the same time in primary industry, small business, agriculture, the cooperative movement, and perhaps the public sector. Instead, these governments chose from the outset to split up such tasks. The establishment in 1952 of both Jamaica's Agricultural Development Corporation and Industrial

Development Corporation provides an example of a split along sectorial lines. The regional Development Corporations and Finance Corporations created in the different sections of Nigeria in the late 1940's illustrate a division along functional lines. Most often a single primary institution came first. Very frequently - in Egypt, Trinidad and Tobago, Sudan, Ghana, and other countries with Commonwealth ties - an agricultural finance institution came first, followed some years later by organizations to finance, promote, or otherwise to assist industry.

Other forms of specialization account also for the creation of new institutions. In 1954, after the Korean War, that nation opened the Korean Reconstruction Bank, a successor to the Industrial Bank of Korea. Seven years later, a bank specializing in credit to small and medium scale industry, the Medium Industry Bank, began operations. The establishment of Jamaica's Small Business Loan Board in 1956, four years after the two institutions noted above, provides another example of specialization as a causal factor.

In a number of countries, the advent of subsequent institutions is plainly a desire to get a fresh start. The need for new funds, new management, or new directions has frequently led to the creation of second generation institutions. Accounting for the birth of a number of national private institutions, the attraction of a new generation also has played a part in the appearance of subsequent primary institutions.

Sometimes, second generation institutions are created by those of the first generation. In Uganda, the multi-functional Uganda Development Corporation began in 1952. Partially because of its public ownership and its commitment to controlling and operating many industries in which it had an interest, the UDC

found it difficult to attract external aid commitments from the overseas bilateral or multilateral financial agencies. In 1964, the UDC joined with Britain's Commonwealth Development Corporation to form the Development Finance Company of Uganda, Ltd., thereby bringing in new foreign resources to the country.

In other cases, the first generation institution has been terminated by merger into, or transfer of assets to, its successor. An examination of the Directory disclosed at least 42 basic study institutions which were succeeding entities. Eleven of these were in francophone Africa, where the influence of France's Caisse Centrale de Cooperation Economique has been directed toward revising the institutional structure to keep up with the expressed needs of the people in those nations.[2] The Banque de Développement du Tchad, for example, was entitled the Société Tchadienne de Crédit before 1959, and the Crédit du Tchad before that. Still earlier, the Crédit de l'Afrique

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[2]Similarly, countries which were formerly British colonies act for a large number of suceeding institutions.

found it difficult to attract external aid commitments from the overseas bilateral or multilateral [illegible] lending agencies. In 1968, the UDC joined with Britain's Commonwealth Development [illegible] Corporation to form the Development Finance Company of Uganda, [illegible] engaging in the foreign resources to the country.

In other cases, the first [illegible] has been dominated by merger [illegible] at. In submission by the Director [illegible] which were success-ing enter[illegible] while the inter-ence of [illegible] has been directed toward [illegible] with the expressed need [illegible] of input do fund, for example, [illegible] before 1970, and the Credit [illegible]

Equatoriale Française had provided Chad with credit for production and welfare. Institutions similar to Chad's in the Congo Republic (Brazzavile), Gabon, and other states also share the common parentage of Crédit de A. E. F. and the evolution into medium-term development finance institutions.

In summary, governments have regularly created more than one primary institution. They have done so for reasons of original choice, subsequent perception of new gaps to be filled or the desirability of a new start. Only a third of the developing countries have remained with one development finance institution, and it is likely that a number of these will expand their institutional structure. Most frequently, countries have sought to meet subsequent needs by the addition of new institutions, although succeeding institutions have been common. In addition to creating primary institutions, governments have established institutions operating at the state, city, or regional levels, and also private institutions operating at the national level, or a combination of both. The advent of the first or second mark the transition to the dualistic stage, while with the third, a country enters the polydynamic stage.

Significance of Transition to a Subsequent Stage. The significance of such transitions generally is that they mark a move toward decentralization of an important force for economic growth. Someone other than the central government is in charge of some, though not all, of the development finance mechanism. In some cases the decentralized decision-making shifts to the private sector, and in others, it moves to government sub-units. Bringing either into the development finance process implies a sharing of power not normally existing in the primary stage, even in primary institutions which

are mixed in ownership. Capability in the sub-level governments or in the private sector is also implied in the transition toward decentralization. The two more complex stages of development finance are considered below.

4.3 The Dualistic Stage

Thirty-one countries, a third of those in the study, have moved out of the primary stage and to a more elaborate structure of pluralism.

Of these countries, ten left the primary stage by creating, or endowing existing, sub-national institutions with development finance capability to operate on a regional, state, or local basis (designated "provincial" in the Directory). These countries were then in the first mode of the dualistic stage. In seven, the sub-national entities were publicly-owned,[3] usually by state governments, but in a few instances they were regional in character, encompassing more than one state.[4] In the remaining three,[5] the institutions were privately-owned, although receiving finance from the government. In each of these ten countries, national private institutions have since been started, moving the country from the dualistic to the polydynamic stage in which they now are found.[6] Further, national systems for development finance have been formed in most. For these reasons, further discussion of these countries is found in the section below on the polydynamic stage.

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[3] In Argentina, Brazil, India, Malaysia, Nigeria, Pakistan, and Venezuela.

[4] Brazil's Banco do Nordeste and Banco de Credito da Amazonia.

[5] Colombia, Philippines, and Spain.

[6] Brazil's national private institutions came into being after the Directory was edited, but the country is included in this group where it belongs.

<u>Twenty-one Dualistic Structure Countries</u>. There are 21 countries which are presently in the second mode of the dualistic stage, having both primary and national private institutions. They are:[7]

BOLIVIA	IRAN	MEXICO
CEYLON	ISRAEL	MOROCCO
COSTA RICA	IVORY COAST	NICARAGUA
ECUADOR	KUWAIT	PANAMA
EL SALVADOR	LEBANON	PERU
GREECE	LIBERIA	TANZANIA
HONDURAS	MALAGASY	TURKEY

<u>The Rationale of the Dualistic Stage with National Private Institutions</u>. Dualism involving private development finance institutions operating on a national level is a recent, and probably growing phenomenon. These 21 countries account for 28.9 percent of the known assets of all the basic study institutions. This seems a smaller percentage than one might suspect of a group that comprises a quarter of the countries in the study. Development finance institutions are by definition specialized entities filling needs in the institutional structure not filled by existing market-oriented institutions. The arguments for creating national private institutions, presumably with a greater interest in profit or market motives, have generally rested on 1) the efficiency of private management, 2) the ability of private institutions to attract private domestic and foreign savings, thereby heightening the mobilization function, and 3) the general preference of U. S. and other bilateral agencies, and the World Bank Group, for privately controlled agencies. These reasons appear to have been more frequently voiced than the

[7] China (Taiwan), Rhodesia, and Thailand have national private institutions but no primaries and have been grouped with primary stage countries.

fundamental argument for pluralism noted above.

Probably more significant as an argument for dualism is the force that moves today's rarities toward becoming tomorrow's commonplaces. In many countries, the absence of market institutions servicing medium and long-term needs is a matter not only of the absence of supporting capital markets but a question of habit and experience as well. These conditions may be expected to change in time. Public institutions may be required to close the initial gaps, to show the way, and to do the hard pioneering work. But, over time, the work will become less unusual, less pioneering. The private institutions can move into the role of finance supplier. The market place can take over, leaving the public institutions free to move into the more recently identified gaps. Private development finance institutions may go through a stage of preparing for the day when they will no longer be extra-market, but rather marketplace, institutions. Today's private development finance institutions could be tomorrow's investment banks.

These considerations are undoubtedly among those that led governments to initiate or support the national private institutions. The countries that have done so do not appear to have significantly more economic activity than those in the primary stage. The median GNP for the group is U. S. $0.9 billion.

It may be that few countries can support more than one private development finance institution. Seventeen of the 21 countries in the dualistic stage have only one national private institution. In nearly half of these, the government has an interest in the share capital. It may be in the interest of both the public and private shareholders for such institutions to

remain the sole private institution, if the number of first class projects is limited.

But there clearly is no steadfast limit of one-to-a-country for this type of institution. Mexico's nearly 30 financieras are basically wholly market oriented operations, but nevertheless, they carry on some development finance activities through their credit relationship with the Nacional Financiera. Two major private banking groups in Greece have recently established development finance institutions. Peru has three, although some may argue that they, like many of Mexico's financieras, are really market, not extra-market, institutions. And among the ten polydynamic stage countries discussed below - with both national private and sub-national institutions - five have hurdled the single-entry barrier and have more than one private national institution.

Thus a division might be made between those countries with one national private institution and those with a number. In most of the latter, sub-national institutions also exist, and the country has the pluralistic structure that is here identified with the polydynamic stage.

The Timing of Dualism. Many countries have entered the dualistic stage only after long periods in primary status. The median time in the primary stage prior to transition to the dualistic stage is 14 years. Their times in the primary stage range as follows:[8]

Table 4.2 Years in Primary Stage Prior to Entering Dualistic Stage

Years	0-5	10-14	20-26	34-101
Number of Countries	5	4	4	3

[8] Data not clear for five countries.

The transitions are on the whole very recent. Thirteen of the 21 countries entered dualism during the years 1961 to 1966. Only Mexico and Turkey were in the dualistic stage by the end of 1950. The concentration of transitions in the very recent past suggests that countries may have been more responsive to global trends than to internal logic of evolution.

4.4 The Polydynamic Stage

The polydynamic stage is the most complex form of development finance structure. It characteristically offers a great diversity of institutions, with decentralization of power both downward through state and local government-sponsored institutions, and latterly through national private institutions. In at least three cases, decentralization has incorporated both characteristics in private sub-national institutions.[9] The similarity of traditional marketplace financial institutions and some development finance organizations in some polydynamic stage countries has already been noted - notably in Mexico, but in Colombia, Peru, Spain, Brazil and the Philippines as well. Thus, in some countries the development finance institutions and traditional financial structure are either interlocked through ownership or the former offer a potential, but partial, alternative to the expansion of the traditional structure.

Ten Polydynamic Structure Countries. Ten countries are now in the polydynamic stage.

ARGENTINA	INDIA	SPAIN
BRAZIL	MALAYSIA	PHILIPPINES
COLOMBIA	NIGERIA	VENEZUELA
	PAKISTAN	

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[9] Colombia, Philippines, and Spain.

One characteristic of the polydynamic stage is the existence of a large number of development finance institutions. Thus, the polydynamic countries, excepting Malaysia, are among the 13 countries containing five or more institutions. These countries together account for over half of the development finance institutions in the basic study and additional lists.[10] The Philippines has 30 and Brazil 31. Although a proportionally high number of institutions in these countries are among those for which data are unavailable, the known assets of the development finance institutions in these countries account for 34.4 percent of all known assets in the study. Sixty percent of the 20 largest banks among the basic study institutions are found in these ten countries. Another significant characteristic of this group of countries is their volume of economic activity. The median GNP for the group is U. S. $8.6 billion, or nine times that of the dualistic stage countries and ten times that of primary stage countries.

Rationale of Polydynamism. Countries in the polydynamic stage share an additional characteristic in that they have some type of strong regional tradition, based either on geography or political history of both.[11] The sub-national institutions of Malaysia and Nigeria are built wholly on their federal natures. The Borneo Development Corporation and the Sarawak Development Finance Company were brought into the Malaysian Federation at the time it was created. Nigeria's three regions started their own institutions in the late 1940's. Pakistan's sub-national institutions reflect the geogra-

[10] See Section 2, p. 8.

[11] Venezuela's Corporación Venezolana de Guayana, the country's only sub-national institution, is devoted to the development of the Guayana River basin area.

phical split of that country. In 1957, the East Pakistan Small Industries Corporation began a trend which was continued five years later, when the Pakistan Industrial Development Corporation split into two entities, one for West and one for East Pakistan.

In all of the remaining polydynamic stage countries, the forces of regionalism or decentralization have resulted in the establishment of some form of national system of development finance institutions. These systems are characterized by the extension of financial support and frequently technical assistance by a primary institution to national private or sub-national institutions. The primary institution, or similar entity, either alone or in conjunction with the country's central bank, exercises some type of supervision over those institutions in the system.

Countries have generally entered the polydynamic stage from dualism created by sub-national institutions rather than national private institutions. The latter typically have been the final ingredient into the mix. Spain forms an exception. New legislation in 1962[12] set limits on the industrial investment role of Spanish commercial and traditional mixed banks and established a new category of industrial banks. A number of traditional institutions operating nationally either converted to, or set up, associated industrial banks. The operations of the Banco de Financiación Industrial (Induban) for example, go back to 1920 as the Banco Hispano Suizo. Similar movements in provincial banking followed, creating sub-national entities. Colombia

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[12]Banking and Credit Ordinance of April 14, 1962; Decree Law 53/1962 of 29 November, and Order of May 21, 1963.

may also be another exception. Its structure of corporaciones financieras was originally envisaged to be based on the several distinct geographical and political areas of the country. The first two of its seven corporaciones financieras had the resources to operate almost from the beginning on a national scale, and are so classified in the study.

Timing of Polydynamism. Countries now in the plydynamic stage spent varying numbers of years in the primary stage prior to going to the dualistic stage. Argentina's Banco de la Nación Argentina began operations in crop and cattle financing in 1891, while the extension of the Inter-American Development Bank's medium-term facilities to Argentina's provincial banks occurred in 1961, 70 years later. Colombia, Philippines, and Venezuela range between 27 and 41 years. In contrast, India stayed in the primary stage one year, Brazil two, and Pakistan five. The times of this first transition are clustered in the 1957 to 1961 period, during which five of the ten moved into the dualistic stage. Two entered in 1949, and one each in 1954 and 1963. Thus, generally the transition from primary to dualistic stage for these countries as a whole occurred about five years before it did for those countries which entered the dualistic stage with national private institutions.

The time period in dualism prior to going to polydynamism was short when compared to the time spent in the primary stage. The range is from four months to thirteen years. The median period is four years. The move to create national private institutions, marking entry into the polydynamic stage, is fairly evenly spread from 1955 to 1967 with four grouped from 1955 to 1960.

In summary, these ten countries have comparatively elaborate development banking structures, containing some of the oldest and largest institutions in the study. As the development banking explosion started in the 1950's and accelerated in the early 1960's, these countries generally had their primary institutions already underway. They moved with the explosion in that they diversified into sub-national institutions early, before some primary countries had even come into existence. Somewhat later, these ten countries further diversified their structures by creating national private institutions. As a group, they did so slightly before the 1961-1964 movement into national private institutions by the other countries entering the dualistic stage.

4.5 The Dynamics of Transition from Stage to Stage

According to the above analysis, the development finance structures in 35 countires, or 37 percent of those in the study, have changed from their original stage of having only primary institutions to a stage with a more complex structure. In addition, in 25 countries remaining in the primary stage, more than one primary institution has been established.

The number of "new starts" of the different types of institutions was represented earlier in Table 3.4. Clearly, for a large number of countries, development finance has been a dynamic, changing phonomenon. But how dynamic? Or how stable? How much change from stage to stage is there likely to be in the future? How much should be sought? The answers to these questions are important to those who are responsible for the institutional structure of development finance, whether they be ministers

of planning or of finance, central bankers, investment or commercial bankers, or bilateral and multi-lateral aid administrators.

The answers fall into two basic categories. The first deals with the feasibility of a country's further elaboration of its development finance institutional structure. Determinants external to policy decisions, such as size or level of economic activity, may effectively constrain a country's actions. The remainder of this paper examines some of these possibilities.

The second basic category of answers needed concerns the desirability, as opposed to feasibility, of such further elaboration. It has been suggested in this section that pluralism is a healthy characteristic in development finance. Why? The answers are dependent upon the advantages of having a broad variety of development finance institutions in a country. These advantages (and also any disadvantages) may be expressed in terms of the things the institutions do, the funds they mobilize, and the effectiveness with which they perform their tasks. These questions of desirability are being explored in studies currently in preparation.

4.6 Stage and External Determinants

Are there external determinants of stage? The importance of regionalism - geographic, political, historical - that characterizes the polydynamic stage countries has already been noted. The significance of other influences requires examination.

The passage of time alone does not appear to be a constraint keeping present primary stage countries from moving into another stage. That is, most countries presently in the primary stage have not yet passed the point in age when past experience suggests they either would have made the transition

or not. The ranges and mean time periods spent in prior stages by countries which have gone through a transition can be compared to the comparable figures for those countries presently in the primary stage. (Table 4.3).

Table 4.3

Range and mean periods in different stages

	Primary Stage	Dualistic Stage	Polydynamic Stage
Range of Time Lengths in Stage 1	4 - 37 years	0 - 101 years	0 - 44 years
(Mean)	(12)	(23)	(20)
Range of Time Lengths in Stage 2	-	3 - 34	0 - 5
(Mean)		(9)	(2)
Range of Time Lengths in Stage 3	-	-	5 - 13
(Mean)			(7)

The mean time of the primary-stage countries in the first stage is less than the other two categories, indicating that there is still time remaining in which past experience suggests a transition may be made to either mode of the dualistic stage. The range of time is also less, indicating that at the extreme, there is still time to go. No country is "over-the-hil" in terms of what has transpired before, although it is less likely that those countries exceeding the mean period of transition to other stages will now make the move. But only 33 percent of countries presently in the primary stage are past the nearest mean, 20 years.

Volume of economic activity, geographic area, and population size may have played a conscious or unconscious part in the decisions to enter into dualism or polydynamism. A large country, or a populous one, might be expected to have a more complex institutional structure, as evidenced by

unt. The ranges and [illegible] methods [illegible] stages by condition which have gone through a [illegible] and [illegible] compared to the comparable [illegible] in those countries presently [illegible] stages. (Table [illegible])

[illegible]

dualism or polydynamism.[13]

The difference in the apparent volume of economic activity in the three groups was noted at appropriate places in the discussion above. The relevant data is summarized in Table 4.4.

Table 4.4

Relationship of GNP and Stage of 85 Countries

GNP ($ billion)	Primary Stage countries	Dualistic Stage countries	Polydynamic Stage countries
Less than 0.5	19	1	0
0.5 to 1	14	10	0
1 to 5	18	7	3
5 to 10	3	2	2
10 to 20	0	1	2
20 to 50	0	0	3
More than 50	0	0	0

No. of countries - 85 (data unavailable for six)

Median	$0.8 billion	$0.9 billion	$8.6 billion
Mean	$1.4 billion	$2.8 billion	$14.0 billion

Source of GNP data: 1965 figures, U N monthly Bulletin of Statistics, U N Yearbook of National Accounts Statistics, Business International.

An analysis of variance does not indicate a significant statistical difference at a 5 percent level of significance. Nevertheless, the difference in median of a factor of ten between the primary stage countries and polydynamic stage suggests it may be more feasible for countries with sizable GNP's to establish complex development finance structures. One really would have to know the GNP for each country at the time of transition to be more accurate, but given the short average period in the polydynamic

[13] Data not clear for two countries.

stage (seven years), these figures are suggestive.[14]

Population and geographic area also indicate a difference among the groups, particularly as between polydynamic countries and the other two groups.

Table 4.5

Relationship of Population and Stage of 92 Countries

Population (million)	Primary Stage countries	Dualistic Stage countries	Polydynamic Stage countries
Less than 1	10	1	0
1 to 5	27	10	0
5 to 10	10	3	2
10 to 20	8	4	1
20 to 50	5	3	3
Over 50	1	0	3
No. of countries - 92			
Median	3.7 million	4.0 million	32 million
Mean	8.4 million	8.9 million	84.7 million

Source of Population: 1965 figures, U N Demographic Yearbook, Encyclopedia Britannica, Book of the Year, 1967.

Table 4.6

Relationship of Area and Stage of 92 Countries

Area (000 sq. mi.)	Primary Stage countries	Dualistic Stage countries	Polydynamic Stage countries
Less than 10	8	4	0
10 to 50	13	5	0
50 to 100	14	2	0

[14] The International Finance Corporation has suggested that the need for the type of financial assistance provided by private development finance companies "...implies that the country possesses already at least a nucleus of entrepreneurial and managerial talent, a reasonable broad market for the products of new enterprises, some natural resources and basic services (power, transport, and water), a surplus of trained or trainable labor, and a reasonably good investment climate." IFC, "Private Development Finance Companies", Washington, June 1964, p. 11.

Table 4.6 cont'd

Area (000 sq. mi.)	Primary Stage countries	Dualistic Stage countries	Polydynamic Stage countries
100 to 200	8	3	3
200 to 500	12	5	4
500 to 1000	6	2	0
Over 1000	0	0	3
No. of countries - 92			
Median	91,000 sq. mi.	51,000 sq. mi.	361,000 sq. mi.
Mean	194,000 sq. mi.	186,000 sq. mi.	757,000 sq. mi.

Source of Area data: 1965 figures, U N Demographic Yearbook, Encyclopedia Britannica, Book of the Year, 1967.

Once again, analysis of variance failed to show significant difference among the groups. And once again, the differences, nevertheless, appear worth noting.

4.7 Summary

In summary, while time has not yet indicated which way the countries presently in the primary stage will go, largeness and relative economic development appear to be associated with poly dynamism. To a lesser degree, these qualities appear to relate to the transition of the dualistic stage assisted with the establishment of additional private institutions, but not sub-national institutions. However, in both cases, the correlation is not statistically significant.

Certainly a logical extrapolation from the past suggests certain changes that will continue to be effected in different developing countries. For a number of developing countries, the evolution of stages is complete. Some primary stage countries are going to remain in the primary stage, although they may add new primary institutions. The same statement applies to some

dualistic and polydynamic stage countries.

Some primary stage countries will start sub-national institutions, development banks serving regions, cities or political sub-units within the country. History suggests that those which do will also start national private institutions at the country-wide level soon after. All ten countries with sub-national institutions have followed this pattern so far. Thus these countries will enter the first mode of the dualistic stage and pass through it to the polydynamic stage.

Other countries which now have primary institutions only, will start national private institutions and thus enter the second mode of the dualistic stage. History suggests that most of the countries that do so will start only one national private institution. Whether these countries will expand their development banking system is an interesting question. Experience so far indicates that those countries which go directly to national private institutions have not created sub-national institutions later.

The ten countries which presently have all three types of institutions and so are in the polydynamic stage may either continue to expand or remain at their present level. Those countries whose sub-national institutions are based on political geography presumably reach a limit to the creation of new institutions when each political unit has a development finance institution. For example, the last of India's 12 State Financial Corporations was established in 1961. In other countries where access to the system is not governed by political geography new institutions may still be in the offing. This would appear to be the case in Mexico, with its _corporaciones financieras_. Similarly, the Philippines' Private Development Banking system

or Spain's network of industrial banks appear to be open-ended. Later studies will discuss the future of these systems in more detail.

Much change is both feasible and likely in the development finance structures of developing countries, in spite of the fact they are no longer young. The question of whether policy planners have free choice in deciding what changes will be made is not wholly answered in a satisfactory manner. One component, the effect of the influence of external aid sources, will be taken up in later studies, dealing with how the institutions are founded.

There are many other parts not yet fitted in. Little has been yet said about what these different institutions have done with the money once they had it, now how well they have performed in doing it. Nor have the national systems of development finance institutions been examined, although they form one of the most significant phenomena of the field. These topics form the subject matter of studies now in preparation.

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Much change in [illegible]

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systems of developing [illegible]

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BANQUE NATIONALE POUR LE DEVELOPPEMENT ECONOMIQUE - STATEMENT AS OF DECEMBER 31, 1964
(in millions of DH)

PAGE NO. 2:

Capital & Liabilities: SOURCES:	Moroccan Govt. Funds	Moroccan Private Funds	External Aid Agency	Internal Funds	Other	TOTALS
18. Capital Stock [a]	13.1[b]	2.6[c]	7.5[d]		6.8[e]	30.0
19. Surplus				1.4		1.4
20. Capital Reserves				3.6		3.6
21. Accrued Liabilities				1.6		1.6
22. Grants						
23. Bonds and Debentures		5.5[f]) 25.5[g])				31.0
24. Loans - medium & long term	20.0[h]		17.6[i]			20.0 17.6*
25. Loans & Advances - short term						
26. Deposits					6.8[j]	6.8
27. Other Liabilities					2.9	2.9
28. TOTAL LIABILITIES & NET WORTH						114.9
29. Contingent Liabilities						
30. Administered Funds						

* Denotes foreign currency obligation

Assets:	TOTALS
31. Fixed Assets	3.2
32. Cash & Equivalents	12.7
33. Assets not covered below	1.2
34. Loans Outstanding	91.5[k]
No. of loans = _____	
35. Equity Investments	6.3
No. of investments = _____	
36. TOTAL ASSETS	114.9
37. Borrower liabilities on Guarantees	
38. Loans & Other Assets Under Administered Separate Funds	

Sector breakdown for currently outstanding loans, equity investments, guarantees, and loans under admin. funds

Agric.	Mining	Mfging.	Constr.	Utilities	Commerc.	Transp.	Services	Activities

(Breakdown is unavailable)

Notes:

a. Authorized, issued and subscribed capital DH 30 m (600,000 common shares of DH 50 each).
b. 43.7% held by the government and public agencies.
c. 8.6% held by private Moroccan interests, including small amount of Moroccan subsidiaries of foreign institutions.
d. 25% held by IFC.
e. 22.7% held by foreign interests.
Dividend: No dividend up to 1963 and 3% for 1964.
f. Short-term bond of DH 10 m @ 3%, 3½% and 3¾% with maturities of 3, 6 and 9 months.
g. Medium-term bonds of DH 4m, bearing 4½% interest with repayment due in 1965 and long-term bonds of DH 23 m, bearing 6½%, with a term of 10 years. The repayment of the long-term bonds in eight annual instalments started in 1964.
h. Government loan DH 20 m (1962) @ 4% with 30-year term including 15 years' grace, subordinated to all other debt and ranked pari passu with share capital in the event of liquidation.
i. IBRD loan $15 m (1962) variable interest, 15-year maturity from the date of commitment. Balance yet undrawn.
j. Special funds from foreign companies, temporarily blocked in Morocco by the government, and government deposits. No interest payable on the special deposits.

k. Net of allowance for depreciation of DH 1.5 million.

PAGE NO. 1:

1. Name: Banque Nationale pour le Developpement Economique

2. Country: Morocco

3. Address: Boite postale 407, Rabat, Morocco

4. Telephone: 264-41-42

5. Cable Address: BADEMAROC Rabat

6. Ownership: Mixed

7. Scope: National

8. Began Operations: September 1959

9. Data as of: December 31, 1964

10. Reported in (currency): Dirham (DH)
DH 1 = US $0.198

11. Description of Operations:

I. The primary objective of the Banque Nationale pour le Developpement Economique (BNDE) is to encourage and assist in the development of industry in Morocco. BNDE is authorized to make loans of a term of not less than two years, discount or make "en pension" medium-term credits, provide guarantees, make equity investments, manage public and private funds entrusted to it, act as agent for the government and undertake any other operations deemed appropriate within the scope of its objective. Up to May 31, 1964, the latest date for which detailed breakdown of operations is avai able, BNDE has approved financial assistance to industrial enterprises, totalling DH 310.9 million in 247 operations. Of this amount, DH 190.1 million was in the form of medium-term rediscountable loans, DH 113.3 million was in medium and long-term direct loans, and DH 6 million was in equity investments. The rest was in the form of guarantees, promises of commitment and other forms. Since 1961, however, the emphasis in BNDE's operations has shifted from indirect rediscountable lending to direct loans.

II. As of December 31, 1964, BNDE's portfolio stood at DH 99.3 million. Of this amount, DH 81.3 million was in the form of long-term direct loans, DH 7.9 million was in medium-term direct loans and DH 3.8 million in loans made to projects promoted by BNDE or made under a government guarantee. The remaining DH 6.3 million was in equity investments. Indirect rediscountable credits appear negligible among assets, most of them having been rediscounted at the Central Bank. Under an agreement with the government which ensures BNDE a minimum interest spread of 2%, BNDE charges a uniform rate of 7% on all direct loans. The usual term of a loan is 5 years or longer while that of rediscountable credit is 5 years. Of 247 loans and commitments made, 107 (43%) are in a range from DH 0.2 to DH 1 million. About one-fourth of total assistance provided by May 31, 1964 was for the power and mining sector. Petroleum and derivatives accounted for 18%, and textiles, mechanical industry and transportation for a little more or less than 10% each. More recently, however, textile industry has become most important for BNDE's operations.

III. BNDE has provided guarantees for its clients from the beginning, but in 1964 it undertook its first underwriting, a new issue of DH 15 million. It has been actively engaged in promotional operations through its Study and Development Department. It has undertaken several surveys of various sectors of industry, agriculture and tourism and has prompted some projects, particularly the tourist industry.

IV. BNDE was incorporated in 1959 with an initial share capital of DH 20 million, more than half of which was government's subscription. In 1963, BNDE's share capital was increased to DH 30 million and government holdings were reduced to 43%. At the time of the increase in share capital, BNDE obtained interest-free government loan of DH 20 million and also a long-term loan from the World Bank. Since that reorganization, BNDE has grown steadily. As of December 31, 1964, it had resources aggregating DH 203.2 million.

12. Board of Directors: Ahmed Lyazidi, President; Driss Slaoui, Vice President (Banque du Maroc); Jean Saltes, Vice President (Credit National); Mohamed Amine Bengeloun, Managing Director BNDE; J.C. Reevor (IFC); Abdelkader Benslimane (Bureau d'Etudes et de Participations Industrielles); M'Hamed Ben Jilali Bennani (Industrialist); Robert H. Blake (Morgan Guaranty Trust Co., New York; Auguste Prusset (Banque Marocaine pour le Commerce et l'Industrie); Francois Bloch-Laine (Caisse des Depots et Consignations); Abdelhafid Kadiri (Bureau de Recherches et de Participations Minieres); Gilbert Pierre; Aurelio Peccei (Italconsult); Otto Pirkham (Deutsche Bank); Jacques Thierry (Banque Lambert); Government representative* Ahmed Bennani (Chef de Service du Credit, Ministry of Finance).

* Not a director. May attend the Board meetings but has no voting right.

13. Management: M. A. Bengeloun, Managing Director

14. Branches: None

15. Departmental Structure: BNDE is organized into the following six departments: Credits and Participations (Appraisal of projects and follow-up of rediscountable credits - 4 professional and 4 non-professional staff), Follow-up and Legal Department (Legal work, disbursement authorization and follow-up of direct credits - 3 and 3), Study and Development Department (Studies and promotion of new enterprises - 4 and 4), Documentation and Study Department (general economic studies and economic documentation - 2 and 3), Technical Department (technical project studies and follow-up - 1 and 1), and Administration Department (accounts and internal administration - 4 and 6). The staff number indicated above was as of May 31, 1964.

16. Juridicial Basis:

BNDE was established as societe anonyme under the Moroccan company law.

17. Profit & Loss Statement: (for 1964)
in millions of DH

Revenues		Expenses	
Interest and commission on:			
direct loans	6.2	Direct Admin.	1.8
indirect loans	1.8	Capital Costs	3.9*
Dividends	0.1	Tax)	
Fees & Commissions	0.3	Net Profit)	2.9
Other sources	0.2		
	8.6		8.6

*Capital costs less treasury subsidy of DH 0.3 million

Appendix 2 Summary of Cluster and Stage, by Country

Country	Stage	Total No. of DFI's	Number in Cluster one	Number in Cluster two	Number in Cluster three	Assumptions
Afganistan	Primary	1	1			(one) ACIB's mixed ownership is public dominated
Algeria	Primary	1	1			(one) Caisse Alg de Devel is National, public
Argentina	Polydynamic (preceding dualistic)	8	2	2	4	(four) Banco de la Prov. Buenos Aires = public or mixed, pub. dom; is provincial; is facility; is old Argentaria S.A. de Fin = private national, within last 7 years, is smaller than BNA or BINR's portfolios Cia Gen'l de Inversionnes = private national, within last 7 yrs, is smaller than BNA or BINR's protfolios. Banco de Entre Rios = Established after 1944 (BINR) Argentina is a federal political entity, within meaning here. It had long-existing state commercial banks. The directory has included four, although Wessels states each of 21 states has a public or mixed state level bank. The development finance function of each is only a faciliting, relating primarily to an IDB loan. (see Ch. IV). It also has two national public institutions: BNA, begun in 1891 and concentrating evidentally historically on agriculture (although recently on industry also), and BINR, started at the close of WWII (Sept. 1944), which "handles all financing operations for industry and mining", and is the "officially accredited agency for the execution of agreed programs for the financing of industrial projects". But note that: 1. Only 27 percent approximately of BINR's portion is in medium and long term (7.5 of 27.2 in 1964).

Country	Stage	Total No. of DFI's	Number in Cluster one	Number in Cluster two	Number in Cluster three	Assumptions
						Therefore, I have marked it as an Facility 2. In 1961, the prov. banks got their own loan for the IDB.
Barbados	Primary	1	1			
Bolivia	Dualistic A	6	4	2		(two) Banco do Fomento is nat'l, public, large, predate 1962 (e.g. BIND). Banco de Desarrollo Ind. is a private, new, national, as BIND. Bolivia has three relative old public D.F.I.s, in agric., mining and femento. It also may have a fourth, in industry. There is a recent private nat'l wk./sounds tipical, and an unknown fifth. So far as we estimate, a typical dualistic country.
Brazil	Dualistic B	31	1	30	0	(twenty-three) As to the 16 Banco do Estado, that they are CGIs, state level publicly owned, some preceding BNDE and some not, but all smaller in assets. (Thos that pre-date would be AA3-1's. As to the four Companhias de Desenvolvimento, same as three above.
Burma	Primary	2	2			(two) Both the Ind. Devel. Bank and Ind. Devel. Corp. are national and public.
Cambodia	Primary	1	1			
Cameroon	Primary	3	3			(one) Soc. National d'Investissement is national and public. Note that Federal rule need not be invoked here.
Central Africa Republic	Primary	1	1			

Country	Stage	Total No. of DFI's	Number in Cluster one	Number in Cluster two	Number in Cluster three	Assumptions
Ceylon	Dualistic A	2	1	1		
Chad	Primary	1	1			
Chile	Primary	3	3			(one) Cora is public and national (Corp. de la Reforma Agricola)
China	Dualistic E and dualistic -1 exception country	1				Note: Taiwan Industrial Devel. Corp., Ltd., was omitted from the directory If this was incorrect, it might bring China into a straight dualistic country, if it were an 00 DFI, preceding CDC
Colombia	Polydynamic	10	1	4	3	(one) Inversions Esso started before corp. fin. in Valle or Caldas (→7 years).
Congo-Bzville	Primary	1	1			
Congo-Leo	Primary	1	1			(one) Sole bank, Banque Congolese de Development is national and public or public dominated.
Costa Rica	Dualistic A	5	4	1		Four GCI's - All in Cl.
Cyprus	Primary	1	1			
Dahomey	Primary	1	1			
Dominican Republic	Primary	4	4			(two) That Agricultural and Industrial Credit Bank is nat'l., public. That Instituto de Desarrollo and Credito is nat'l and public.
Ecuador	Dualistic	4	3	1		(two) Sistema de Credito de foment is an institution, is public and national in scope, and earlier and larger than Cofiec. Cofiec is national, private formed about 1965, and smaller than the Cl's.

Country	Stage	Total No. of DFI's	Number in Cluster one	Number in Cluster two	Number in Cluster three	Assumptions
						Comment - only the last Q., the size, is doubtful, it may have passed that. Ecuador would then have a E 2-2.
El Salvador	Dualistic	2	1	1		
Ethiopa	Primary	2	2			
Gabon	Primary	1	1			
Ghana	Primary	2	2			(one) Agric. and Co-op Credit Bank is nat'l and Public.
Greece	Dualistic A	4	2	2		Note: One AA1-2.
Guatemala	Primary	3	3			(one) Financiera Ind. and Agropecuria is either public or mixed (public dominant) and national, was formed last of three.
Guinea	Primary	1	1			(one) Banque Nacional de Development Agricole is national and public.
Guyana	Primary	2	2			(one) Industrial Development Corp. is public and national.
Haiti	Primary	1	1			
Honduras	Dualistic	2	1	1		
Iceland	Primary	1	1			
India	Polydynamic	16	1	1	12	(E=2(1-2), Note: IFC/I is an AE3, e.g. the one 50-50 percent.
Indonesia	Primary	1	1			
Iran	Dualistic	4	2	1		(E=1 (1-2)
Iraq	Primary	1	1			(one) Industiral Bank of Iraq is national and public

Country	Stage	Total No. of DFI's	Number in Cluster one	Number in Cluster two	Number in Cluster three	Assumptions
Ireland	Primary	1	1			
Israel	Dualistic A	2	1	1		
Ivory Coast	Dualistic A	3	1	1		(E=1(1-1)
Jamaica	Primary	4	4			
Jordan	Primary	3	3			(one) Industrial Development Board Fund is national and public
Kenya	Primary	4	4			Note: That three of the primaries are new, but two are successor institution and one is a subsid. of COC.
Korea	Primary	2	2			
Kuwait	Dualistic A	2	1	1		(two) Kuwait Trading, contracting de Investenat is national, public, large Kuwait Investment Co. private, national, later, smaller.
Laos	Primary	1	1			
Lebanon	Dualistic	2	1	1		(one) LBIDI is a national,private or private dominated, and is smaller in size than other two. (It is very new - 1965 - if it has actually come into being, so date is oh for straight).
Libya	Primary	3	3			(two) Libya-American Reconstructio Commission is national and public. National Agric. Bank is national and public.
Malagasy	Dualistic A	2	1	1		Note: Tthe C2 is mixed has a large majority of private funds, provision for a evenly split board, which at date of data hadn't come into being. The carry-over board appears gov't. controlled. Thence at present this is one of few cases of split capital - actual control.

Country	Stage	Total No. of DFI's	Number in Cluster one	Number in Cluster two	Number in Cluster three	Assumptions
						West Pak. Industrial Devel. Corp. is provincial, public, and EPSIC and EPIDC are smaller than PICIC.
Panama	Dualistic A	2	1	1		(one) Desarrollo Industial S.A. is private or private domin., national, smalle and newer than IFOEC.
Paraguay	Primary	1	1			
Peru	Dualistic A	8	5	3		(two) Agric. Bank is national pre-dates and is larger than the three national private Inst. of Agar. Reform and Coloniz. = same as above.
Philippines	Polydynamic	30	4		25	(E=1(E2-3) (twenty-four) The second Cebu City Devel. Bank is private dominated and smaller than any of the primaries. The 21 named but not listed private devel. banks follow the basic pattern, e.g. mixed, private domin., small, and provincia The Small Industires Loan Fund is national, public and larger than POCP and the private developmentbanks, and pre-dates them. Predecessor institution the Binalbagan Estate Corp. places it prior to three secondary institutions and PDCP, a C2.
Portugal	Primary	1	1			(one) The Banco do Fomento Naciona is public and national.
Puerto Rico	Primary	2	2			(one) Goh Development Bank of P.R. is public, national.
Rhodesia	Dualistic	2				(E=2(2-1) Note: Two national, privates, w/o a national public. Even IPCORN, the regional, is private.
Saudi Arabia	Primary	1	1			(one) The AGric. Devel. Bank is public and national.

Country	Stage	Total No. of DFI's	Number in Cluster one	Number in Cluster two	Number in Cluster three	Assumptions
Senegal	Primary	1	1			Note: A successor institution.
Sierra Leone	Primary	2	2			(one) Agricultural Loans Scheme is national and public.
Singapore	Primary	2	2			
Somalia	Primary	1	1			
Spain	Polydynamic	12	1	8	3	(four) Banco Industroa; de Bilbao is nationa, private, smaller and newer than BCRIN/SPAIN and the national privates. Banco Urguijo - the same Corp. Espan. de Fin - the same Indobank - the same
Sudan	Primary	2	2			
Surinam	Primary	1	1			
Syria	Primary	1	1			
Tanzania	Dualistic	3	2	1		Note: The newest DFI, National Devel. Corp., is a successor institution, which makes Munanchi a straight 2. Munanchi is a national private, even though its capital is owned by the national labor union.
Thailand	Dualistic	1				(E=1(2-1) Note: It is likely here, as is likely in MIDFL and BNDE (Moroc) that originally IFC/T was public dominated.
Togo	Primary	1	1			
Trin/Tob	Primary	2	2			
Tunisia	Primary	3	3			
Turkey	Dualistic	4	2	1		(E=1(1-2) (two) Agric. Bank is

Country	Stage	Total No. of DFI's	Number in Cluster one	Number in Cluster two	Number in Cluster three	Assumptions
						national, public, pre-dates and is bigger than IDB/T Industrial Credit and Investment - same. Note that IDB/T may be an exception, if it was first DFI.
Uganda	Primary	2	2			
Uar	Primary	2	2			
Volta	Primary	1	1			
Uruguay	Primary	1	1			(one) Bank is public and national
Venezuela	Polydynamic	7	3	3		(E=1(3-2) (three) Banco Industrial is publicly dominated. Inversiones Shell and Cic. Inv. Creole are both private,national, smaller and newer than the three primaries.
Vietnam	Primary	2	2			(one) Societe Financiere pour la Devel. is public and national
Yugoslavia	Primary	1	1			
Zambia	Primary	3	3			(one) Land and Agric. Bank is public and national.